

CIRCULAR NO. 20 OF 1992 (INCOME TAX)**SUBJECT PRESUMPTIVE TAX ON EXPORTERS CLARIFICATIONS REGARDING.**

The Finance Act, 1992, has introduced a regime of presumptive tax for exporters through the Insertion of Section 80CC in the Income-tax Ordinance, 1979. The salient features of this regime are as under:-

- (a) Authorised dealers in foreign exchange are required to deduct Income-tax at source from all foreign exchange proceeds realised on or after July 1, 1992, on account of goods exported at any time by an exporter.
- (b) Tax is to be deducted under sub-section (5A) of Section 50 from all proceeds realised without any monetary threshold.
- (c) The foreign exchange proceeds will comprise invoice value of goods exported, customs duty, freight and insurance and other charges collected from the foreign buyer to the credit of the exporter's bank account. The whole of such amount received by the exporter shall be deemed to be his income chargeable to presumptive tax with effect from assessment year 1993-94.
- (d) The standard rate of withholding tax as well as presumptive tax has been specified at one per cent of the total foreign exchange proceeds converted into Pakistan rupees according to the exchange rate prevalent at the time of realisation of such proceeds. However, the standard rate of tax has been reduced in the case of exporters who prove that reduction in tax on account of the goods exported was available to them previously as under:-

Goods exported	Reduced tax rate
(i) Where the exporter was entitled to 50% reduction in tax export of manufactured goods including refined/treated salt, barytes, granite blocks, heat insulating bricks, and magnesite refractories.	0.75%
(ii) Where the exporter was entitled to 75% reduction in tax on export of value-added goods like leather & textile garments, engineering and	0.50 %

electrical goods, cutlery, ceramic tiles, sports goods, surgical goods and pharmaceuticals etc.

The list of various items of export eligible for rebate or reduction in tax at different rates under the normal is annexed.

- (e) The provisions of withholding tax as well as the presumptive tax will not apply in respect of exports made by those manufacturers whose total income is already exempt from tax. For this Purpose, formal notification of exemption will be issued separately.
 - (f) The tax deducted at source by the authorised dealers in foreign exchange shall be deemed to be full and final discharge of tax liability in respect of all exporters, including companies and registered firms, who have no other receipts and source of income.
 - (g) Such persons shall not file the prescribed returns of income. They will, however, be required to furnish simplified statement of their deemed income and presumptive tax for the assessment year 1993-94 onward.
 - (h) Since a person having no other receipts or income shall not be required to file his return of income nor any assessment in his case shall be made, an order under Section 59A shall be deemed to have been made in respect of such deemed income without making a formal assessment.
 - (i) All the provisions contained in sub-section (5) & (6) of Section 80C shall be equally applicable to cases covered under Section 80CC.
2. Since the provisions of Section 80CC will become applicable from assessment year 1993-94, exporters maintaining books of account may be given special treatment as under:-
- (i) Local sales of goods (manufactured for export) as well as waste material, not constituting more than 20% of such production, may also be treated as export sales if the assessee opts to pay tax on such sales at the rate applicable to export sales under Section 80CC.
 - (ii) Credit for the tax collected on the amount of electricity bills under Section 50(7E) may be given in computing the tax payable by the exporter in respect of all receipts and sources of income including the deemed income u/s 80CC. However, no other allowance or deduction against such deemed income will be admissible.
 - (iii) The share of a partner in the deemed income of the registered firm liable to be assessed on presumptive basis under Section 80CC, may not be

subjected to further tax in his hands by virtue of exemption granted under clause (111A) of the Second Schedule. However, income not covered by Section 80C will be assessable in the normal manner.

- (iv) Where income from exports is inseparable from commission, brokerage and other receipts and the assessee cannot prove the extent of overhead expenses relating to non-export receipts, allocation of expenses may be made on a pro-rata basis in the same ratio as the receipts not covered by Section 80CC bear to the gross profit on the export sales.
- (v) Where deduction under sub-section (5A) of Section 50 are made in respect of exports already accounted for and subjected to tax in the normal manner prior to the assessment year 1993-94, credit for such deductions will be given and refund, if any claimed by the exporter will be allowed accordingly.

ANNEX

S. No.	Tariff Heading/ SRO. No./ References.	Description of item	Rate of Rebate
1.	52.04, 52.05 52.06, 52.07	Cotton yarn	25%
2.	SRO. 877(I)/89	Refined/treated salt, ground barytes, granite blocks and slabs, heat insulating bricks magnesite refractories.	50%
3.		All other manufactured items not covered by 25% or 75% rebate.	50%
4.	42.01	Saddlery and harness for any animal, of any material.	
S. No.	Tariff Heading/ SRO. No./ References.	Description of item	Rate of Rebate
5.	42.02	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases holsters and similar containers ; traveling-bags,	75%

rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco pouches, tool bags, sports bags bottle-cases jewelry boxes, powder boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fiber or of paperboard, or wholly or mainly covered with such materials or with paper.

6.	42.03	Articles of apparel and clothing accessories, of leather or of composition leather.	75%
7.	42.05	Other articles of leather or of composition leather.	75%
8.	51.11	Woven fabrics of carded wool or of carded fine animal hair.	75%
9.	51.12	Woven fabrics of combed wool or of combed fine animal hair.	75%
10.	57.01	Carpets and other textile floor coverings, knotted, whether or not made up.	75%
11.	58.01	Woven pile fabrics and chenille fabrics, other than fabrics of heading No. 58.02 or 58.06.	75%

S. No.	Tariff Heading/ SRO. No./ References.	Description of item	Rate of Rebate
12.	58.05	Hand-woven tapestries of the type Gobblins, flanders, Aubusson, Beauvais and the like, and needle-worked tapestries whether or not made up.	75%
13.	58.06	Narrow-woven fabrics, other than goods of heading No. 58.07, narrow-fabrics consisting of warp without weft assembled by means of an adhesive.	75%
14.	61.01	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles, knitted or crocheted.	75%
15.	61.02	Women's and girls' overcoats, car-coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles, knitted or crocheted.	75%
16.	61.03	Mens' or boys suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted.	75%
17.	61.04	Women's and girls' suits, consembles jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear) knitted or crocheted.	75%
18.	61.05	Men's or boys shirts, knitted or crocheted.	75%
19.	61.06	Women's or girls' blouses,	75%

shirts and shirt-blouses,
knitted or crocheted.

S. No.	Tariff Heading/ SRO. No./ References.	Description of item	Rate of Rebate
20.	61.07	Men's or boys' under-pants, briefs, night-shirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.	75%
21.	61.08	Women's or girls' slips, petticoats, briefs, panties, night dresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted.	75%
22.	61.09	T-shirts, singlets and other vests, knitted or crocheted.	75%
23.	61.10	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted.	75%
24.	61.11	Babies garments and clothing accessories, knitted or crocheted.	75%
25.	61.12	Track suits, ski suits and swimwear, knitted or crocheted.	75%
26.	61.14	Other garments, knitted or crocheted.	75%
27.	Chapter 62 (excludng Heading No. 62.12, 62.13, 62.15, 62.16 and 62.17)	Articles of apparel and clothing accessories, not knitted or crocheted.	75%
28.	63.01 (Sub- heading 2000, 3000 and 4000)	Blankets and traveling rugs.	75%

29.	63.02	Bed linen, table linen, toilet linen and kitchen linen.	75%
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S. No.	Tariff Heading/ SRO. No./ References.	Description of item	Rate of Rebate
30.	64.03	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	75%
31.	64.04	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	75%
32.	64.06	Parts of footwear (including uppers whether or not attached to soles other than outer soles), removable in soles, heel cushions and similar articles ; gaiters, leggings and similar articles, and parts thereof.	75%
33.	Chapter 84 (Heading Nos. 84.40).	Nuclear reactors, boilers, machinery and mechanical appliances ; parts thereor.	75%
34.	Chapter 85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.	75%
35.	90.18	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments.	75%

36.	94.01	Seats, whether or not convertible into beds, and parts thereof.	75%
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S. No.	Tariff Heading/ SRO. No./ References.	Description of item	Rate of Rebate
37.	94.02	Medical, surgical, dental or veterinary furniture, barber's chairs and similar chairs, having rotating as well as both reclining and elevating movements; parts of the foregoing articles.	75%
38.	94.03	Other furniture and parts thereof.	75%
39.	SRO.1207(I)/90 Dt. 15.11.1990	Jewelry, pharmaceuticals, sports goods toilet linen Including terry towels, durries, horticulture products, fresh fruits and cut flowers.	75%
40.	Finance Act, 1991.	Ceramic tiles and wares.	75%
41.	SRO. 741(I)/91 Dt. 11.08.1991	Cutlery	75%

Note:- Export rebate was not available to raw cotton, rice, rice bran, wheat bran and lamb skin.
