AUTOMATION PROCESS FOR FACILITATION OF IMPORT OF RAW MATERIALS FOR INDUSTRIES

Federal Board of Revenue intends to improve the system of issuance of Exemption Certificates under Section 148 of the Income Tax Ordinance, 2001 especially for import of raw material and intermediaries used by industries. This intended system is to be based on Automated Risk Based Mechanism to reduce processing time and in issuance of exemption certificates thereby avoiding unnecessary delays costing the importers. In this regard an automated procedure has been planned for public/private limited companies and all other persons. The following system based check list is intended to be followed:-

I. INFORMATION TO BE FURNISHED ONLINE

i. Material is imported by the industrial undertaking alongwith picture of the manufacturing factories properly geo-tagged.

ii. Material is imported for own use i.e. in-house production of the end product.

iii. Any raw material has been substituted for another raw material.

iv. Exemption has been applied in respect of raw materials specified in sub-section (8) of section 148.

v. This is not the first tax year of the taxpayer.

vi. Application has been filed through IRIS mentioning exact nature of the raw material and its PCT Code and heading.

vii. Exact quantity of each raw material has been specified in units or numbers or weight.

viii. Tax has been paid during any of the preceding two tax years of the two tax years on the basis of taxable income.

ix. Tax liability for the current year on the basis of determined tax liability for any of the two preceding years, whichever is higher, has been paid.

x. The quantity of raw material does not exceed 125 per cent of the quantity of raw material imported and consumed during the previous tax year, if this condition is not fulfilled then details of expansion of production capacity.

xi. In case of second half, quantity being allowed is arrived at by reducing the quantity earlier allowed in the first half.

xii. Raw material earlier imported before the application has been excluded from the ambit of exemption certificate.

xiii. No arrears of income tax, sales tax or federal excise duty are outstanding except where stay has been allowed by the appellate authorities.

xiv. All income tax and sales tax and federal excise returns and withholding statements have been filed.

xv. Exemption is applied for six months.
xvi  Annexure to SRO No. 717(I)/2014 has duly been filed.

xvii All such information will be filed through automated system.

II. PROCEDURE TO BE ADOPTED FOR ISSUING EXEMPTION UNDER SECTION 148 FOR IMPORTING RAW MATERIAL.

i. The taxpayer shall discharge its tax liability for the current year on the basis of determined tax liability for any of the two preceding years, which is higher.

ii. System will pick up the CPR along with application for exemption.

iii. In case of adjustment of refund, the Commissioner may be intimated in writing at least fifteen (15) days prior to the filing of application for exemption about exact amount of liability and amount of refund outstanding.

iv. The Commissioner will issue exemption certificate in case of public limited company within seven (07) days, in case of private limited company within ten (10) days and in case of all other persons within fifteen (15) days of filing of application through an automated system.

v. If the Commissioner fails to take action on the application within the above mentioned time limits, the system will issue exemption certificate to the taxpayer. However, such exemption certificate issued to all persons, except public limited and private limited companies, shall be provisional.

vi. The system will not issue exemption certificate if:
   o An assignment has been issued by the Commissioner within seven (07) days of filing of the application
   o CPR of discharge of tax liability is not available in the system,
   o Annexure to SRO 717(I)/2014 has not been filled in the system, and
   o The taxpayer has applied for substitution of raw material to be imported

vii. The exemption certificate automatically issued by the system can be revoked by the Commissioner any time if it comes to the knowledge that any of the prescribed and above laid down conditions have not been fulfilled, after giving an opportunity of being heard.

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Before launching of this system and to improve quality of the decision making through the involvements of all stakeholders, FBR requests for valuable input from all stakeholders and general public to improve this system. It is requested that this input may please be provided on the following contact details:-

<table>
<thead>
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<th>Name</th>
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3. We expect positive and constructive proposals as the same shall start a new beginning of automation with minimum personal interactions.