

Government of Pakistan  
Revenue Division  
Federal Board of Revenue  
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Islamabad, the 7<sup>th</sup> August, 2014

**NOTIFICATION**  
**(Income Tax)**

S.R.O. 7/7(I)/2014.- In exercise of the powers conferred by proviso to clause (72B) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Board of Revenue is pleased to specify the manner and the conditions for issuance of exemption certificate, exempting import of raw material from the provisions of section 148 of the said Ordinance for an industrial undertaking, namely:-

**(A) Conditions.**

- (i) the material imported is to be used by the industrial undertaking as raw material for own use i.e. in-house production of the end-product;
- (ii) the taxpayer shall identify the exact nature of raw material to be imported by mentioning its Pakistan Customs Tariff Code;
- (iii) the taxpayer shall specify the quantity of raw material by units/numbers or weight as the case may be, subject to condition (v);
- (iv) the tax liability for the current year on the basis of determined tax liability for any of the preceding two years, whichever is higher, has been paid;
- (v) the quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed 110 percent of the quantity of raw material imported and consumed in the previous tax year. The taxpayer may import entire 110 percent in first six months or partly in first six months and partly in second six months. However, the taxpayer shall be liable to pay tax at the normal rate under section 148 for the quantity exceeding the said 110 percent;
- (vi) raw material already imported before applying for exemption certificate on which tax under section 148 has been paid shall not be included or considered for the said 110 percent.
- (vii) tax Year for which exemption certificate is required is not the first tax year of business;
- (viii) tax has been paid during any of the preceding two tax years on the basis of taxable income;
- (ix) no arrears of income tax, sales tax and federal excise duty are outstanding; and

- (x) all income tax returns, sales tax returns and withholding statements due to be filed under the law have been filed.
- (B) Manner.**
- (i) exemption certificate shall be issued for six months only;
- (ii) the Commissioner shall not issue exemption certificate, in any case, if the aforementioned conditions are not met;
- (iii) the taxpayer shall file an application for the exemption certificate as per Annexure to this notification, which shall provide the following information:-
- (a) quantitative and qualitative details of raw material consumed during the immediately preceding year and the raw material required during the current half year period;
  - (b) production capacity; and
  - (c) stock consumption and production report for the previous six months period, and since the closing date of last return filed;
- (iv) after satisfying himself of the eligibility of the taxpayer, the Commissioner shall issue the system generated certificate;
- (v) the Commissioner shall furnish a certificate to the Chief Commissioner concerned in every case that the manner and the conditions as specified in the law have been fulfilled;
- (vi) the Chief Commissioner shall inspect from time to time the exemption certificates issued by the Commissioner to ensure compliance to the Board's directions and furnish a half-yearly report to the Board within ten days after the end of every six months of the financial year; and
- (vii) the Commissioner shall cause to conduct inspections of the manufacturing facility at any time to,-
- (a) ensure that the raw material being imported is in line with the manufacturing activity or capacity and it is being used as raw material for self use only; and
  - (b) verify the production capacity and stock consumption as stated by the taxpayer.

**APPLICATION FOR ISSUANCE OF EXEMPTION CERTIFICATE UNDER CLAUSE (72B)  
OF PART IV OF THE SECOND SCHEDULE TO THE INCOME TAX ORDINANCE, 2001**

To

The Commissioner Inland Revenue  
Zone \_\_\_\_\_  
Regional Tax Office/Large Taxpayers Unit \_\_\_\_\_

1. Name and address of the taxpayer:
2. National Tax Number:
3. Sales Tax Registration Number
4. Nature of Business (specify business activity/commodity):
5. Installed Production Capacity (item-wise):
6. Name of Bank/branch & Account No:
7. Particulars of items being to be imported

Half year of the current tax year for which exemption certificate is required			Corresponding half year of the previous tax year		
Name of item	PCT Code	Quantity	Name of item	PCT Code	Quantity

(Attach details in a separate sheet)

8. LC numbers along with copies of LCs
9. Quantitative and qualitative details of raw material consumed during the immediately preceding year and the raw material required during the current half year period
10. Stock consumption and production report for the previous six months period, and since the closing date of last return filed

**UNDERTAKING**

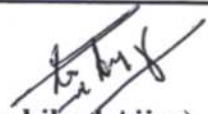
I \_\_\_\_\_ (Director/Partner/Member/Proprietor/Principal Officer) of  
M/s \_\_\_\_\_ hereby solemnly declare that:

- a. the particulars mentioned above are true to the best of my knowledge;
- b. the items being imported are for own use and not for trading purposes;
- c. in case, at any stage, it is established that the raw material mentioned above was sold and not used for manufacturing purposes by the taxpayer, tax u/s 148 of the Income Tax Ordinance, 2001 along with additional tax shall be paid;
- d. all income tax Returns/Sales Tax Returns/ Withholding Tax Statement due to be filed under the law have been filed; and
- e. no arrears of Inland taxes are outstanding.

Date: \_\_\_\_\_

Signature &amp; Stamp \_\_\_\_\_

[No. 4(65) ITP/2014]

  
 (Shabih ul Aijaz)  
 Secretary (Income Tax Policy)