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PART II

Statutory Notifications (S.R.O.)

GOVERNMENT OF PAKISTAN
REVENUE DIVISION
(Federal Board of Revenue)

NOTIFICATION

Islamabad, the 11th August, 2020

(CUSTOMS)

S. R. O. 714 (I)/2020.— In exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), section 50 of the Sales Tax Act, 1990, section 40 of the Federal Excise Act, 2005 and section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Board of Revenue is pleased to direct that the following further amendments shall be made in the Customs Rules, 2001, which have been previously published vide Notification No.S.R.O 571(I)/2020, dated the 25th June, 2020, namely:—

In the aforesaid Rules,—

(1) in rule 220,—

(i) in clause (a), the expression “, and Federal Excise Act, 2005” shall be omitted.

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- (ii) in clause (b), in sub-clause (i), the words “declaring their category” shall be omitted;
- (iii) in clause (b), sub-clauses (vii) and (x) shall be omitted; and
- (iv) in clause (c),—
 - (a) the words “excise duty” shall be omitted; and
 - (b) the expression “ and rule 12 and 12(A) of Central Excise Rules, 1944,” shall be omitted;
- (2) for rule 221, the following shall be substituted, namely;—

“221. **Processing and sanctioning of duty drawback claims.**—Claims of duty drawback shall be sanctioned by the Customs if the same are complete in all respect and on first in first out (FIFO) basis.”;
- (3) after rule 221, substituted as aforesaid, the following new rules shall be added, namely:—

“221A. **Comprehensive audit.**—Comprehensive audit of duty drawback payments shall be carried out by the Directorate General of Post Clearance Audit (PCA) of the Federal Board of Revenue.

221B. **Recovery of duty drawback.**—Any recovery detected by PCA may be deducted from the next duty drawback claim of the exporter besides initiating recovery proceedings under the recovery rules.”;
- (4) for rule 222, the following shall be substituted, namely;—

“222. **Time frame for payment of duty drawback.**—The duty drawback payment of such claims that are complete in all respects shall be made on FIFO basis taking into account the date of filing of claim.”;
- (5) rule 223 shall be omitted;
- (6) for rule 224, the following shall be substituted, namely;—

“224. **Monthly reporting.**—(1) A consolidated discrepancy report shall be sent by the Collectorate to SBP on monthly basis.

(2) SBP shall also send a scroll of all the duty drawback payments made to the exporters.”;
- (7) in rule 298, in sub-rule (2), for the word “twenty-four”, the word “twelve” shall be substituted;

- (8) in rule 308, after clause “(s)”, following new clause “(sa)” shall be inserted, namely;—

“(sa) **“specific rate notification”** means a notification for a product or situation not covered under the standard notification as prescribed under rule 311;”;

- (9) after rule 308, the following new rule shall be added, namely:—

“308A. **Calculation of duty drawback rates.**—(1) For calculating amount of customs duties paid at the time of import, past six months import data may be used taking the average quantity or value of each class or description of the materials, including packing materials, from which a particular class or description of goods is ordinarily produced or manufactured. Average exchange rates of the same period may be taken into consideration.

(2) The average amount of customs duties paid on imported materials used in the manufacture of components, intermediate or semi-finished products which are exported as such or further used for manufacture of goods shall be taken into account for the purpose of calculation of the duty drawback.

(3) The average amount of customs duties paid at the effective rate on the imported input materials shall be calculated for the last six months import data.

(4) The average FOB value of each class or description of the goods exported during the last six months may be taken into consideration for the class or description of goods for which export drawback rates are being determined.

(5) Any other factor which may be added by the Board.”;

- (10) in rule 310,—

(i) in sub-rule (3), in the beginning, the following words shall be inserted, namely;—

“On requisition by the relevant association, Director General may furnish trade statistics pertaining to each class or description of imported or exported goods for the past six months on the basis of which export drawback rates needs to be determined.”;

(ii) in sub-rule (7), for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:

“Provided that Directorate General may like to determine drawback rates at 6-digit or 4-digit level of PCTs to make the duty drawback scheme more inclusive and for this purpose may ignore variance upto 10 per cent in rates so determined.”;

(11) in rule 312, for sub-rule (2), the following shall be substituted, namely:—

“(2) The Directorate General of Input Output Co-efficient Organization (IOCO) shall preferably review all the rates notified under this sub-chapter after announcement of annual fiscal budget to incorporate the impact of upward or downward revision of customs duties or imposition of new duties. This exercise shall preferably be completed by the 31st August and the Board shall ensure notification of revised rates by the 30th September, if there are no valid reasons for delay. It shall be the responsibility of all associations and individuals, as the case may be, for whom duty repayment or drawback notifications have been issued to supply, by the 31st day of July every year to the Director, details of any change in the input output worksheets on which the current rates are calculated, in particular, changes in material used, their quantities and values.”;

(12) in rule 313, in sub-rule (1), for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:

“Provided further that Director General may initiate exercise for determination of duty drawback rates on its own motion where it is found that—

- (a) duty drawback rates have not been determined; and
- (b) where already determination rates have changed due to amendments in tariffs.”;

(13) in rule 313B,—

(a) in sub-rule (3), after full stop at the end, the following expression shall be added, namely;—

“However, in case it is found that the inputs have not been properly accounted for or consumed for the manufacture and supply of goods as prescribed, Director of IOCO shall communicate the audit findings to the concerned Collector of Customs of the Import Collectorate who shall initiate proceedings for the recovery of leviable customs-duty and other taxes under the relevant provisions of the law in force.”;

- (b) in sub-rule (5), in the schedule, in clause A, in sub-clause 2,—
- (i) in paragraph (a),—
- (A) in sub-paragraph (ii), before the word “quantity” the word “Average” shall be added and after the word “used” the words “during six months” shall be inserted ; and
- (B) in sub-paragraph (iii), before the letters “FOB” the word “Average” shall be added, after the word “product” the words “or class of” shall be inserted and after the word “exported” the word “product” shall be inserted;
- (ii) in paragraph (b),
- (A) for sub-paragraph (i), the following shall be substituted, namely:—
- “(i) Average interbank currency exchange rates for the past six months;”
- (B) in sub-paragraph (ii), after the word “value” the words “calculated on average basis” shall be inserted;
- (C) for sub-paragraph (iv) and (v), the following shall be substituted, namely:—
- “(iv) Average rate of customs duty paid on each class or description of imported input goods;
- “(v) Average and total customs duty amount on each class or description of imported goods; and”;
- (14) in rule 342, in clause (f), after the word “coal”, the expression “coke of coal, carbon blocks” shall be inserted;
- (15) in rule 351, in sub-rule (2), after the letters “EDB”, the words “as the case may be” may be inserted;
- (16) for rule 456, the following shall be substituted, namely:—
- “456. **Processing and sanction of duty drawback.**—Duty drawback as may be admissible shall be part of the process of assessment of cargo for export and the amount so admissible to the exporter shall be computed and processed by Customs Computerized System on sale proceeds amount repatriated into the country and Form-E settlement from the commercial bank.”;

(17) for rule 457, the following shall be substituted, namely;—

- “457. **Payment of duty drawback.**— (1) While filing an export GD when a PCT code is entered in Customs Computerized System, the system displays the relevant SROs and DDB rates according to goods description and nature of exports. The exporter may select and claim the most relevant description and rate of duty drawback admissible thereof.
- (2) On repatriation of sales proceeds into the country and settlement of Form-E, the commercial bank shall update information to this effect in Customs Computerized System.
 - (3) Customs Computerized System shall calculate the amount of DDB according to the selection of SRO and DDB rate by the exporter on sale proceeds amount repatriated into the country reported by the bank.
 - (4) Customs Computerized System shall generate duty drawback order (DDO) in the system subject to risk management system (RMS) and shall electronically send it to SBP initially in batches and subsequently in real time gross settlement system (RTGS). The information shall be in MT103 format. If certain goods declarations, where duty drawback have been claimed, are identified by RMS for compliance check, the Collector or an officer so designated by him, may determine the eligibility of duty drawback or otherwise and update the Customs Computerized System accordingly.
 - (5) SBP shall credit the payment in the account of exporters through commercial banks on FIFO basis.
 - (6) Once payment is actually transferred to the account of exporter, SBP shall update this information in Customs Computerized System.
 - (7) After payment of DDB, system shall randomly select 10% of cases and mark to post release verification (PRV) section of the respective Collectorate.
 - (8) A consolidated discrepancy report shall be sent by the collectorate to SBP electronically on monthly basis.
 - (9) Comprehensive audit of duty drawback payments made to the exporters shall be carried out by post clearance audit (PCA).
 - (10) Any recovery detected by PRV or PCA shall be reflected against NTN of exporter and shall be taken into account by

Customs Computerized System while generating next DDO and update profile in the RMS.

- (11) Any under payment detected by PRV or PCA shall also be taken into account by Customs Computerized System and paid to the exporter while generating next DDO.”;
- (18) for rule 458, the following shall be substituted, namely.—
- “458. **Repayment of duty drawbacks to authorized economic operators.**—In case of authorized economic operators, after repatriation of sales proceeds into the country and settlement of Form-E, the amount of DDB, as may be admissible, shall be sanctioned by Customs Computerized System on priority basis.”;
- (19) for rule 459, the following shall be substituted, namely;—
- “459. **Re-assessment of duty drawback.**—After payment of DDB, system will randomly select 10% of cases and mark to PRV section of the respective collectorate. The customs may re-assess the export declaration any time during five years of clearance of goods for export and if on account of such re-assessment it is found that duty drawback has been paid in excess, the differential amount shall be recovered from the exporter along-with fine, etc. If it is found during the audit that lower amount of duty drawback has been paid, the differential amount shall be paid to the exporter.”; and
- (20) for rule 460, the following shall be substituted, namely;—
- “460. **Post drawback audit.**—Comprehensive audit of duty drawback payments transferred directly by SBP to the account of traders shall be carried out by PCA.”.

[C. No. 2(1)/L&P/2020.]

SAADIYA NOORI,
Secretary (Law & Procedure).