**PROPOSED CHANGES IN THE**

**CUSTOMS ACT, 1969**

**THROUGH FINANCE BILL, 2016-17**

**Section 19 General power to exempt from customs duties**

* It is proposed that sub-section (1) of section 19 be amended so as to enable the Federal Government to exempt from customs-duties, by notification in the official Gazette, any goods imported into, or exported from Pakistan, pursuant to the Government of Pakistan’s agreement with any international financial institutions or foreign government owned financial institutions operating under a memorandum of understanding.

**Section 155H Confidentiality of information**

* Prior to the Finance Bill 2016-17, all trade information gathered by Customs during clearance of goods was deemed to be confidential and was not used except for the purposes of data collection by the Government, comparison as against other imports or exports and production as evidence before a legal forum.

The Finance Bill 2016-17 proposes that two new clauses be added to section 155H in order to (i) enable the Federal Government to share data, gathered by Customs during clearance of goods, under a memorandum of understanding or bilateral, regional and multilateral agreements or conventions; and to (ii) publicly disclose valuation data containing description of items, origin, currency, declared and assessed unit value without disclosing the name and address of the importer or exporter or their suppliers.

**OTHER SALIENT FEATURES**

**Review of Concessionary Regime Under the Fifth Schedule**

* The benefit of concession under the Fifth Schedule to the Customs Act 1969 is not available in respect of locally manufactured items, as notified through a Customs General Order issued by the FBR. However, in the Finance Bill 2016-17, it is proposed that an exception be made for plant and machinery imported for setting up of a new power unit of 25 MW and above for supply of electricity to the national grid.

**Grant of concession/exemption of customs duties:**

1. Customs duty for dairy, livestock & poultry sectors is proposed to be decreased from 5% to 2%. The following is the list of items on which duty is proposed to be decreased:-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sr. No.** | **Description** | **PCT Code** | **Customs Duty (%)** | **Conditions** |
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** |
|  | **F) Dairy, Livestock and poultry, machinery** |  |  | If used for Agriculture, Dairy, Livestock and Poultry sector |
|  | (1) Milk chillers. | 8418.6910  8418.6990 | 2% |  |
|  | (2) Tubular heat exchanger  (for pasteurization). | 8419.5000 | 2% |  |
|  | (3) Milk processing plant, milk  spray drying plant, Milk UHT  plant. | 8419.8100  8419.3900 | 2% |  |
|  | (4) Grain storage silos for  poultry. | Respective  headings | 2% |  |
|  | (5) Insulated sand witch  Panels | Respective  headings | 2% |  |
|  | (6) Dairy, livestock and poultry  sheds. | 9406.0020 | 2% |  |
|  | (7) Milk filters. | 8421.2900 | 2% |  |
|  | (8) Incubators and brooders | 8436.2100  8436.2900 | 2% |  |
|  | (9) Machinery for animal feed  Stuff | 8436.1000 | 2% |  |
|  | **(G) Post-harvest Handling** **and Processing and** **Miscellaneous Machinery.** |  |  | If used for agriculture sector. |
|  | 1. Vegetable and fruits cleaning and sorting or grading equipment. | 8437.1000 | 2% |  |
|  | (2) Fodder and feed cube maker equipment. | 8433.4000 | 2% |  |
|  | (3) Milking machines. | 8434.1000 | 2% |  |
|  | (4) Pre-fabricated CO2  Controlled Stores. | 9406.0090 | 2% | In respect of goods mentioned  in Column (2) read with PCT mentioned in Column (3), the Ministry of National Food Security and Research shall certify in the prescribed manner and format as per Annex-B to the effect that the imported goods are *bona fide* requirement for use in the Agriculture sector. The Authorized Officer of the Ministry shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969. |

1. Customs duty for Fish Farming, fish feed pellet (floating type) machines is proposed to be decreased from 5% to 2% and customs duty on fish/shrimp feed is proposed to be withdrawn as per detail given below:-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sr. No.** | **Description** | **PCT Code** | **Customs Duty (%)** | **Conditions** | |
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | |
|  | **(K) Fish or shrimp farming**  **and seafood processing machinery and equipment.**  (9) Water aerators  (10) Feed pellet (Floating  Type) machine | 8414.8090  8438.8020 | 2%  2% | If used for agriculture or aquaculture/Fish farming sector. | |
| 18 | Fish and Shrimp Feed | 2309.9090 | 0% | Nil |

1. It is proposed that customs duty on import of Premixes to prevent growth stunting be withdrawn completely.

**Increase or expansion in scope of concessions/exemptions:**

1. It is proposed that the scope of exemption on renewable energy technologies be expanded. The new rates of customs duty on renewable energy technology are as under: -

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S.**  **No** | **Description** | **PCT Code** | **Customs**  **Duty (%)** | **Conditions** |
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **20** | **Following items for use with**  **solar energy:-**  **Solar Power Home Systems.**  1) Off–grid portable solar home system (with or without provision for USB/charging port) comprising of :  (i). Photovoltaic generators consisting of panels of photocells (PV module), charge controller with integrated battery (not exceeding 50Ah), essential connecting wires (with or without switches).  (ii).Bulb holder.  2).Water purification plants operating on solar energy. | 8501.3110  8536.6100  8421.2100 | 0%  0%  0% | Nil |
| **21.** | **Following systems and**  **items for dedicated use with renewable source of energy like solar, wind, geothermal etc.** |  |  | Nil |
|  | **1. (a) Solar Parabolic**  **Trough Power Plants.**  **(b) Parts for Solar Parabolic**  **Power Plants.**  (i) Parabolic Trough | 8502.3900  8503.0010 | 0%  0% |  |
|  | collectors modules.  (ii) Absorbers/Receivers tubes.  (iii) Steam turbine of an output exceeding 40MW.  (iv) Steam turbine of an output not exceeding 40MW.  (v) Sun tracking control system.  (vi) Control panel with other accessories. | 8503.0090  8406.8100  8406.8200  8543.7090  8537.1090 | 0%  0%  0%  0%  0% |  |
|  | **2. (a) Solar Dish Stirling**  **Engine.**  **(b) Parts for Solar Dish**  **Stirling Engine.**  (i). Solar concentrating dish. (ii). Sterling engine.  (iii). Sun tracking control system.  (iv). Control panel with accessories.  (v). Stirling Engine Generator | 8412.8090  8543.7000  8543.7000  8543.7090  8406.8200  8501.6100 | 0%  0%  0%  0%  0%  0% |  |
|  | **3. (a) Solar Air Conditioning**  **Plant**  **(b) Parts for Solar Air**  **Conditioning Plant**  (i). Absorption chillers. (ii). Cooling towers.  (iii). Pumps.  (iv). Air handling units.  (v). Fan coils units.  (vi). Charging & testing equipment. | 8415.1090  8418.6990  8419.8910  8413.3090  8415.8200  8415.9099  9031.8000 | 0%  0%  0%  0%  0%  0%  0% |  |
|  | **4. (a) Solar Desalination**  **System**  **(b) Parts for Solar**  **Desalination System**  (i). Solar photo voltaic panels. (ii). Solar water pumps.  (iii). Deep Cycle Solar Storage batteries.  (iv). Charge controllers.  (v). Inverters (off grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT) | 8421.2100  8541.4000  8413.3090  8507.2090  9032.8990  8504.4090 | 0%  0%  0%  0%  0%  0% |  |
|  | **5. Solar Thermal Power**  **Plants with accessories.** | 8502.3900 | 0% |  |
|  | **6. (a) Solar Water Heaters**  **with accessories.**  **(b) Parts for Solar Water**  **Heaters**  (i). Insulated tank  (ii). Vacuum tubes (Glass) (iii). Mounting stand  (iv). Copper and Aluminum tubes  **(c) Accessories**:  (i) Electronic controller  (ii) Assistant/ Feeding tank  (iii) Circulation Pump  (iv) Electric Heater/ Immersion Rod (one piece with one solar water heater)  (v) Solenoid valve (one piece with one solar water heater)  (vi) Selective coating for absorber plates | 8419.1900  7309.0000  7310.0000  7020.0090  Respective headings Respective heading  Respective headings | 0%  0%  0%  0%  0%  0%  0% |  |
|  | **7. (a) PV Modules.**  **(b) Parts for PV Modules**  (i). Solar cells.  (ii). Tempered Glass. (iii). Aluminum frames. (iv). O-Ring.  (v). Flux.  (vi). Adhesive labels.  (vii). Junction box & Cover. (viii). Sheet mixture of Paper  and plastic  (ix). Ribbon for PV Modules  (made of silver & Lead). (x). Bypass diodes.  (xi). EVA (Ethyl Vinyl Acetate) Sheet (Chemical). | 8541.4000  8541.4000  7007.2900  7610.9000  4016.9990  3810.1000  3919.9090  8538.9090  3920.9900  Respective headings  8541.1000  3920.9900 | 0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0% |  |
|  | **8. Solar Cell Manufacturing**  **Equipment.** |  |  |  |
|  | (i). Crystal (Grower) Puller (if  machine).  (ii). Diffusion furnace. (iii). Oven.  (iv). Wafering machine. (v). Cutting and shaping  machines for silicon ingot. (vi). Solar grade polysilicon  material.  (vii). Phosphene Gas.  (viii). Aluminum and silver  paste. | 8479.8990  8514.3000  8514.3000  8486.1000  8461.9000  3824.9099  2848.0000  Respective headings | 0%  0%  0%  0%  0%  0%  0%  0% |  |
|  | **9**. Pyranometers and  accessories for solar data collection.  **10**. Solar chargers for charging electronic devices.  **11**. Remote control for solar charge controller. | 9030.8900  8504.4020  8543.7010 | 3%  5%  3% |  |
|  | **12.** Wind Turbines.  **(a)** Wind Turbines for grid connected solution above 200  KW (complete system).  (b) Wind Turbines upto 200  KW for off-grid solutions comprising of:  (i). Turbine with Generator/ Alternator.  (ii). Nacelle with rotor with or without tail.  (iii). Blades.  (iv). Pole/ Tower.  (v). Inverter for use with Wind  Turbine.  (vi). Deep Cycle Cell/ Battery  (for use with wind turbine). | 8412.8090  8412.8090  Respective headings  8507.2090 | 0%  0%  0%  0% |  |
|  | **13**. Wind water pump | 8413.8190 | 5% |  |
|  | **14**. Geothermal energy  equipments.  (i). Geothermal Heat Pumps. (ii). Geothermal Reversible  Chillers.  (iii). Air handlers for indoor quality control equipments.  (iv). Hydronic heat pumps.  (v). Slim Jim heat exchangers. (vi). HDPE fusion tools.  (vii). Geothermal energy Installation tools and Equipment.  (viii).Dehumidification equipment.  (ix). Thermostats and  IntelliZone. | 8418.6100  8418.6990  8418.6990  8415.8300  8418.6100  8419.5000  8515.8000  8419.8990  8479.6000  9032.1090 | 0%  0%  0%  0%  0%  0%  0%  0%  0%  0% |  |
|  | **15**. Any other item approved  by the Alternative Energy Development Board (AEDB) and concurred to by the FBR. | Respective  headings | 0% |  |
| **22.** | **Following items for**  **promotion of renewable energy technologies or for conservation of energy:-**  (i) SMD/LED/LVD lights with or without ballast with fittings and fixtures.  (ii) SMD/LED/LVD street lights, having in built/integral PV module with or without solar batteries.  (iii) Tubular Day lighting  Device.  (iv) Wind turbines including alternators and mast.  (v) Solar torches.  (vi) Lanterns and related instruments.  (vii) LVD induction lamps.  (viii)LED Bulb/Tube lights.  (ix) PV module, with or without, the related components including invertors (off-grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT), charge controllers and solar batteries.  (x) Light emitting diodes (light emitting in different  colors).  (xi) Water pumps operating on solar energy along with solar pump controllers  (xii) Energy saver lamps of varying voltages  (xiii) Energy Saving Tube  Lights.  (xiv) Sun Tracking Control | 9405.1090  9405.4090  9405.5010  8502.3100  8513.1040  8513.1090  8539.3990  8543.7090  8541.4000  8504.4090  9032.8990  8507.0000  8541.5000  8413.7010  8413.7090  8504.4090  8539.3110  8539.3210  8539.3120  8539.3220  8543. 7090 | 0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0%  0% | Nil |

1. It is proposed that scope of exemption for Charitable non-profit making Institutions Operating Hospitals be expanded.
2. Extension in relief on import of solar panels till June, 2017 is proposed.
3. Exemption from CD and taxes on disposal of old & used ambulances imported by Edhi Foundation is proposed.
4. The automotive development policy (ADP) 2016-2021 is proposed to be implemented in the following manner:

|  |  |  |  |
| --- | --- | --- | --- |
| **S.No.** | **Description** | **PCT Code** | **Customs Duty** |
| **(1)** | **(2)** | **(3)** | **(4)** |
| 1. | Agricultural Tractors, having an engine  capacity exceeding 35 HP but not exceeding 100 HP | 8701.9020 | 15% |
| 2. | Agricultural Tractors (other than  mentioned at S. No. 1 above) | 8701.9090 | 10% |
| 3. | Fully dedicated LNG buses (CBU) | 8702.9030 | 1% |
| 4. | Fully dedicated LPG buses (CBU) | 8702.9040 | 1% |
| 5. | Fully dedicated CNG buses (CBU) | 8702.9050 | 1% |
| 6. | Hybrid Electric Vehicle (HEV) (CBU) | 8702.9060 | 1% |
| 7. | Hybrid Electric Vehicle (HEV) (CBU) | 8704.2214  8704.2294  8704.2340  8704.3240 | 1% |
| 8. | Trailers | 87.16 | 15% |

**Changes in the First Schedule to the Customs Act 1969**

1. It is proposed that tariff slabs be reduced from existing 5 to 4 by merging 2% slab and 5% slab in a new 3% slab.

1. It is proposed that 10% and 15% slabs be substituted with 11% and 16% slabs respectively.
2. The following new customs and regulatory duties on specific items are proposed:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S.No** | **Measure** | **Existing**  **CD %** | **Proposed**  **CD %** | |
| 1 | Exemption from CD on Water Quality Testing Kits | 20 | 0 | |
| 2 | Concessions of CD on local manufacturing of  LED Lights | 20 | 5 | |
| 3 | Exemption from CD on Linear Akyl Benzene | 2 | 0 | |
| 4 | Reduction in CD on raw material of PVC Resin | 5 | 3 | |
| 5 | Reduction in CD on White Spirits | 10 | 3 |
| 6 | Reduction in CD on Stamping Foil | 20 | 16 |
| 7 | Reduction of CD on Fatty Alcohol Ethoxylate | 15 | 5 |
| 9 | Reduction in CD on CFC Free Gases | 15 | 11 |
| 8 | Reduction in CD rate for Aluminum Sheet in Coil | 20 | 11 |
| 9 | Reduction in CD on Thermostats of Deep-  Freezers | 20 | 3 |
| 10 | Rationalization of CD on Betel nuts and Betel  Leaves | 10  Rs.300/kg | 20  Rs.600/kg |
| 11 | Rationalization of CD on Almonds | 10 | 20 |
| 12 | Rationalization of CD Frozen fish | 10 | 20 |
| 13 | Increase of CD on Medium Density Fiber board | 15 | 20 |
| 14 | Increase of CD on Cement Clinker | 2 | 11 |
| 15 | Increase in CD on Semi Printed/Printed Security Paper | 5 | 16 |
| 16 | Increase in CD on Live Chicken stock and Eggs of chicken | 5 | 11 |
| 17 | Increase in CD on Birds eggs(not in shell) | 5 | 16 |
| 18 | Removal of RD from Bead Wire for tyres Manufacturers | RD 10 | 0 |
| 19 | Removal of RD from Carbon Steel Strips used by Razor blade manufacturers | RD 17.5 | 0 |
| 20 | Levy of RD on Powdered Milk | 20 | 20+25RD |
| 21 | Levy of RD on Whey Powder | 20 | 20+25RD |