



# GREEN WOOD CONSULTANTS

## FINANCE BILL 2021

### CUSTOMS ACT, 1969

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### SALIENT FEATURES

- The concept of common warehouse is added to ease the importer / exporter and small and medium size entities.
- The addition of master bill of lading, bill of lading, airway bill, certificate of origin in the definition of document is to reduce forgery and fraud risk.
- The concept of electronic assessment of Good Declaration is introduced to improve fairness and remove flaws in system.
- The Directorate General of National Nuclear Detection Architecture and Directorate Marine are formed to ensure delegation of duties and proper operation of the department.
- The vessel intimation report is introduced to ensure smoothness and timely management of imports.
- The definition of owner of goods is introduced to confirm the legal title and to ensure the fairness and immediate response on import.
- The word “Retailing” is inserted in definition of smuggling to discourage smuggling practices.
- The concept of applying on custom computerized application for license of a private ware house and public ware house is added to ease the process of taking license and ensure fairness.
- The provision to formulate dispute resolution committee regarding valuation of good is added to reduce cost of business and improving the relation between customs and general public.
- The Federal Government have power to exempt custom duties by enforcement on notifications up to June 2022.
- The substitution of word “Determined” with “using reasonable means” in value of imported and exported goods is done to remove restriction to find value of goods.
- The delegation of power to find custom values to Collector Custom is included to ensure segregation of duties and promote business.
- The power is given to Director Custom to find value of good using all possible means (international publication) to ensure proper value is assigned.
- The Director General Valuation is given power to find value in case of any dispute / issue on value assigned by director general custom.
- The competent authority may revise or rescind the custom value determined by Collector / Director Customs.

- The power to take over the imported goods subject to approval of board is given to chief collector customs to ensure time and cost saving for businesses.
- The power given to director general valuation to make decision of disputes subject to 30 days for filing litigation and decision to be given in 60 days is there to avoid time wastage and ensure smooth operations.

The owner is not allowed to apply for scraping of goods after filing of goods declaration to avoid custom duty evasion.

- Considering the date by shown of good declaration in advance on arrival of the conveyance by which goods have been imported for the goods fall under section 79 (goods cleared for home consumption) & 104 (goods cleared from warehouse)
- if rate of duty change after the submission of the goods declaration and before the berthing or cross-over event of the vessel or the vehicle respectively, Considering the date on which the vessel has berthed or the vehicle has crossed-over the border.
- The condition of not sending notice within 5 years of filing a statement if amount is less than Rs. 100 is replaced by Rs. 20,000 to facilitate businesses.
- The power to make rules regarding money laundering is assigned to board to ensure proper rules are made to eliminate money laundering.
- The restrictions regarding submission of import manifest on in charge of conveyance before entering into the country is to ensure proper management and documentation.
- Authorized agent may amend the import manifest before the berthing of vessel or cross over the vehicle.
- Inclusion of clause to file documents necessary for assessment along with the Good Declaration is there to ensure proper documentation and valuation of goods.
- The provision of examination of goods after clearance of goods declaration is inserted to ensure correct filling of good declaration.
- The provision to re-export out of Pakistan, goods banned or restricted to discourage import of banned goods.
- Offence detected and that offence resolvable after importing of good, in respect of imported goods which are absolutely not liable wholly or partly confiscate.
- The power is given to collector custom to direct correction of value or quantity in a good declaration before warehousing this is done to relax provision of not to amend good declaration.
- The power of collector custom to give extension of goods to remain in warehouse for 1 month is increased to 6 months to ensure sinking of funds and promote ease of doing business.
- The provision is inserted regarding suspension of registration of user, the collector customs first send notice and give opportunity of being heard.

- Allow custom not below rank of Assistant Collector to correct bona fide clerical error in good declaration to ensure ease of doing business enhance.
- The increase of penalties of breach of requirements of placing invoice and packing list inside import container is inserted and fail to attached electronic documents to ensure proper documentation regulation is compiled for the purpose of economy is documented.
- The restriction of not accepting fine for the third time illegal or unlawful activity, only liable of confiscation of goods to ensure compliance with laws.  
Reducing time limits for goods lying on airport, dry ports making decision within thirty days of show cause which may further be extended to 15 days.
- The power given to Board, Chief Collector and Collector to call for records to ensure legality of notice of subordinate fairness in custom operations.
- The power of Additional Collector is segregated to Deputy Collector in case of reference to be made to high court, this is done to ensure effectiveness of custom functions.
- The offering of cash prizes to custom official and law enforcement agencies on preventing evasion of custom duty and smuggled goods is done to prevent custom duties evasion and smuggling and encourage the officials.
- Validity period of advance ruling is increased from one year to three years in accordance with international benchmark and facilitating trade.

#### **CHANGE IN FIRST SCHEDULE TO RELIEF INDUSTRY**

- Reduction / Exception given in custom duties to promote textile industry.
- Reduction / exemption given in custom duty on HRC and Rolled stainless steel industry.
- Reduction / exemption on raw materials and intermediary goods and point of sale machines.
- Reduction / exemption on inputs / raw materials of food processing industry to promote food processing industry.
- Reduction of duty on uncoated paper and paperboard for printing and graphic arts industry.
- Reduction / exemption of duty on Vaccines for veterinary medicines and feed additives to incentivize the dairy sector.
- Reduction / exemption of duty on goods falling under more than 100 PCT codes relating to Tourism industry.
- Reduction of duties on raw material/inputs of footwear industry to promote footwear industry.
- Reduction / exemption of custom duty on inputs for poultry industry
- Reduction / exemption of custom duty on raw material for manufacturer of aseptic plastic packaging.

- Exemption of additional custom duty on import of raw materials for cables / optical fiber manufacturers
- Reduction / Exemption of custom duty and additional custom duty on raw materials for Paint Industry
- Reduction / Exemption of custom duty and additional custom duty on raw materials for Chemical and Artificial Leather Industry
- Reduction / Exemption of custom duty and additional custom duty on inputs for Electronics Manufacturing Industry
- Reduction / exemption of custom duty and additional custom duty on raw materials / inputs of furniture, coating, boiler manufacturing industry, bobbins and cops manufacturing industry.
- Reduction of Additional custom duty on goods falling under 2436 tariff lines pertaining to 20% customs duty slab from 7% to 6%.  
Extension in exemption from customs duties on import of COVID-19 related items for further 6 months.
- Exemption of custom duty and additional custom duty on Inputs of Ready-To-Use Supplementary Foods (RUSF) and Ready-To-Use Therapeutic Food (RUTF).
- Exemption of custom duty and additional custom duty on life-saving drugs
- Improve the value of unsolicited gifts through post or courier from Rs.20,000 to 30,000
- Exemption of custom duty and additional custom duty on import of grain storage hermetic bags and cocoons
- Rationalization of tariff structure on auto sector
- Rationalization of regulatory duty on import of Mobile Phones to encourage import substitution and promote local manufacturing.
- Increase in rates of regulatory duty on import of non-essential / luxury items to support local industry and maintain trade deficit.
- Reduction of regulatory duty on import of cocoa paste, butter and powder being industrial input goods.

## 1. DEFINITIONS

### [Section 2]

The Finance Bill has proposed the following amendments in the definitions:

- **ADDITIONAL DOCUMENTS FOR CUSTOM CLEARANCE**  
[Section 2 clause(kka)]

It is proposed to broaden the scope of definition of the term “Documents” by including the documents “master bill of lading, bill of lading, airway bill, certificate of origins” used for custom clearance as part of “documents”.

• **ELECTRONIC ASSESSMENT**

[Section 2 clause (kkc)]

It is proposed to add a new definition (kkc) of the “Electronic Assessment”. Electronic Assessment of goods declaration in Custom Computerized System by an officer of Customs or by the computerized system according to the selectivity criteria. By the said addition of this clause, it is easier to assess goods with computerized system instead of manually physical inspection. With the addition of said clause, risk of fraud shall be reduced.

• **VESSEL INTIMATION REPORT (VIR)**

[Section 2 clause(ld)]

The Finance Bill has inserted a new clause which prescribes timely confirmation to custom authorities by the carrier or his agent regarding vessel at a Customs Sea report provided that computerized system of customs authority is operational.

• **OWNER**

[Section 2 clause (oo)]

A new clause has proposed to be added in the definition section which has defined the word “Owner” of goods in depth. In view of this clause an owner is a person of goods and includes any person who is for the time being entitled, either as owner or agent for the owner, to the possession of the goods.

• **SMUGGLED**

[Section 2 clause (s)]

It is proposed to amend the clause (s) by mere adding the word “Retailing” after the word “Concealing” already inserted. Retailer is an intermediary between manufacture and end consumer. If any person retails smuggled goods subject to this clause, he will fall in a definition of smuggle.

**2. CONSTITUTION OF DIRECTORATE GENERAL OF NATIONAL NUCLEAR DETECTION ARCHITECTURE**

[Section 3CCB]

It is proposed to insert a section in which officers for National Nuclear Detection Architecture are mentioned as “The Directorate General of National Nuclear Detection Architecture, shall consist of a Director General and as many Deputy Director Generals, Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette appoint.

**3. COMPOSITION OF DIRECTORATE GENERAL OF MARINE****[Section 3CCC]**

It is proposed to insert this section in which officers for National Nuclear Detection Architecture are mentioned as “The Directorate General of Marine shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette appoint.

**4. POWER TO APPOINT OR APPROVE APPLICATION FOR PUBLIC WAREHOUSE LICENSE.****[Section 12]**

Presently, in Customs Act, the section 12 dealt with power to appoint or license public warehouse. In the Finance Bill this section is amended by giving ease to applicant for license for public warehouse by submitting application through systems to respective Collector of Customs in his jurisdiction. The collector of custom may cancel the license if violation of any provision of act.

**5. POWER TO APPOINT OR LICENSE FOR COMMON WAREHOUSE.****[Section 12A]**

The Finance Bill has added new section 12A which deals with power to appoint or license common warehouse for importers. Traders/Businessmen have now an extra option for storage of their goods in a common warehouse. They can apply for common warehouses in addition to public & private warehouses without payment of custom duties. Collector of Custom may cancel the license of common warehouse if violation of Custom Act.

**6. POWER TO APPOINT OR LICENSE FOR PRIVATE WAREHOUSE.****[Section 12]**

Presently in Customs Act, the section 12 dealt with power to appoint or license private warehouse. In the Finance Bill 2021 this section is amended by giving ease to applicant for license for private warehouse by submitting application through systems to respective Collector of Customs in his jurisdiction. Collector of Custom may cancel the license of common warehouse if violation of Custom Act.

**7. CONSTITUTION OF A COMMITTEE OR CENTRE FOR DISPUTES SETTLEMENTS REGARDING CLASSIFICATION OF GOODS & PAKISTAN CUSTOM TARIFF (PCT)****[Section 18E]**

It is proposed to add a condition that for the purposes of statistical suffix of Pakistan Customs Tariff (PCT) Code, the board may form a committee or center to sort out conflicts relating to classification of goods and may set out procedures necessary for the purpose of this matter.

**8. POWER OF FEDERAL GOVERNMENT TO ISSUE NOTIFICATIONS REGARDING EXEMPTION OF GOODS FROM CUSTOM DUTIES****[Section 19(Sub-Section 5)]**

This section of Customs Act, 1969 provides powers to federal Government to exempt duty any goods imported into, or exported from Pakistan on account of any immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests. Presently, all active notifications issued thereunder are effective till 30 June 2021 only. Through the Finance Bill 2021, it is proposed that all notifications issued after 01 July 2016, if not rescinded earlier, and placed before the National Assembly be continued and enforced up to 30 June 2022. Now, the said amendment will provide legal coverage to the notifications issued during the said period.

## **9. UPDATION OF VALUE DETERMINATION METHOD OF IMPORTS/EXPORTS GOODS [Section 25 (Sub-Section 9)]**

The Finance Bill has explained and made clear for arriving at customs value of goods (imported/exported), by adding the precise words “Using reasonable means” with the word “determined” in sub-section 9 of section 25.

## **10. DISTRIBUTION OF AUTHORITY BETWEEN OFFICIALS [Section 25A (Sub-Section 1)]**

The proposed Bill has distributed the authority of officials by adding the expression “the Collector of Customs on his own motion or” along with the expression already inserted “Director of Customs on his own motion or”. By the addition of this expression both can determine.

### **ADDITION IN AUTHORITY OF DIRECTOR [Section 25A (Sub-Section 1)]**

Presently in Customs Act, Director has power to determine the customs value of any goods or category of goods imported into or exported out of Pakistan, after following the methods laid down in section 25, whichever is applicable. New proposed amendment in this subsection has extended the Director’s Authority. Director may incorporate values from internationally acclaimed publications, periodicals, bulletins or official websites of manufacturers or indenters of such goods. The new said amendment has made an ease for director to determine accurate value of goods.

### **POWER OF DIRECTOR GENERAL OF VALUATION TO DETERMINE CUSTOMS VALUE [Section 25A (sub-section 2A)]**

A new sub-section (2A) is inserted in this proposed Finance Budget. The purpose of this section is to resolve disputes on values of goods (determined under subsection 1 of Section 25A) imported or exported out of Pakistan. This section delegates power to “Director General of Valuation” to determine applicable customs value in case of any conflict arose in sub-section 1 of section 25A.

### **ADDITION OF EXPRESSION OF SUB-SECTION 2A [Section 25A (sub-section 4)]**

Sub-Section 4 of Section 25A deals with the customs value determined under sub-section (1) of section 25A shall be applicable until and unless revised or rescinded by the competent authority. Now Finance Bill has added the expression “or the case may be under sub-section (2A)” after the



subsection (1) due to addition of new subsection (2A). Moreover, both subsection relates to power for determining customs value of goods.

#### **11. SHIFT OF POWER TO THE RESPECTIVE CHIEF COLLECTOR**

##### **[Section 25C]**

It is proposed that the duties performed by the “respective Chief Collector” instead of the “Board” to determine the customs value of any goods or category of goods imported into or export out of Pakistan.

#### **12. REVISION IS REPLACED WITH REVIEW OF THE VALUE DETERMINED**

##### **[Section 25D]**

It is proposed to enhance the powers of Director General Valuation to move the petition in his own capacity or any person or custom officer within thirty days to revise the custom value, and he may cancel or determine the said review petition. Also, he shall conclude this petition within sixty days.

#### **13. PROCEDURAL CHANGE IN GOODS DECLARATION**

##### **[Section 27A]**

It is proposed that on the request of owner Board shall allow before filling of goods declaration for the purpose of charging duty at applicable rate on scraped goods.

#### **14. DATE OF DETERMINATION OF RATE OF DUTY**

##### **[Section 30]**

In is proposed that the first proviso of section 30, date is considered for determination of duty rate by way of good declaration manifested in advance on arrival of the conveyance and the goods have been imported fall under section 79 (goods cleared for home consumption) & 104 (goods cleared from warehouse). As the case may be, except for those goods declaration in respect of which the rate of duty change after the submission of the goods declaration and before the berthing or cross-over event of the vessel or the vehicle respectively, in this case date consider on which the vessel has berthed or the vehicle has crossed-over the border.

#### **15. THRESHOLD FOR THE ISSUANCE OF SHOW CAUSE NOTICE**

##### **[Section 32]**

It is proposed that the in the section 32 of sub-section 3A the proceeding limit of importer/ exporter shall be enhanced from one hundred to twenty thousand rupees limitation. One who has recoverable liability less than twenty thousand rupees recoverable amount then no proceeding shall initiate.

#### **16. TRANSFERRING OF POWER TO THE BOARD REGARDING ISSUANCE OF OFFICIAL GAZETTE**

**[Section 32 C]**

In is proposed that the further rulings regarding state bank action against the mis-declaration of any person shall be mentioned through official gazette by the Board.

**17. DECREASE THE TIME LIMIT REGARDING DELIVERY OF IMPORT MANIFEST**

**[Section 44]**

It is proposed that, if deliver or file electronically an import manifest to appropriate officer of Customs this section may decrease the time limit of the custom airport after delivery of import from 24 hours to 3 hours and the inform custom-station at the time entry into the country.

**18. CHANGE OF IMPORT MANIFEST**

**[Section 45]**

It is proposed that the authorized agent may amend the import manifest before the berthing of vessel or cross over the vehicle.

**19. DOCUMENTS UPLOADED BY IMPORTER**

**[Section 79]**

In is proposed that grant the addition about the uploading of mandatory documents by the importer or his agent of goods declaration for the assessment purposed as mentioned by the board.

**20. PRIOR APPROVAL OF GOODS DECLARATION THROUGH GREEN CHANNEL**

**[Section 80 (4)]**

This section is proposed to be inserted that only Custom Computerized system through green channel for goods examination is insufficient; therefore, the approval of collector of custom is also required.

**21. NON-CLEARANCE OF GOODS**

**[Section 82 C]**

It is proposed that if the importer is not approachable or banned or restricted by notification of government within sixty days then re-export any good to out of Pakistan.

**22. RELIEF ON CONFISCATION OF GOODS**

**[Section 83 B]**

It is proposed that where any offence detected and that offence resolvable after importing of good, in respect of imported goods which are absolutely not liable wholly or partly confiscate.

**23. MODE OF RECTIFICATION OF ERROR**

**[Section 88 (5)]**

It is proposed that by virtue of sub section 5 of section 85 the collector may write reasons behind the commission of error which is occurred in goods declaration. After that he may direct to importer for rectification of the said error.

#### **24. PERIOD FOR WHICH GOODS MAY REMAIN WAREHOUSE**

**[Section 98(1)(a)]**

It is proposed that the period of holding the perishable goods is extend from one month to six months in the warehouse of custom department by the collector of customs.

#### **25. CLEARANCE FOR EXPORTATION**

**[Section 131(2)]**

It is proposed that the “custom computerized system has not been introduced” shall be omitted now only in the writing for the reason to recorded the examination of goods belonging to exporter at a designated place as he deems fit and proper.

#### **26. CANCELLATION OF REGISTRATION OF REGISTERED USER**

**[Section 155F]**

It is proposed that the custom officer gives a notice and opportunity of being heard before the cancellation of registration of registered user.

#### **27. AUTHORIZATION FOR CORRECTION OF CLERICAL ERROR**

**[Section 155R]**

It is proposed that under section 29 of Custom Act, 1969 the good declaration note issued, if there is any error in that good declaration note the importer or exporter may apply to the concerned officer not below the rank of Asst collector for the issuance of correction certificate upon his satisfaction.

#### **28. PENALTIES**

**[Section 156]**

Following penalties are proposed to be imposed:

i. If any person contravenes the requirement of placement of invoice and packing list inside the import container or consignment then such a person shall be liable to a penalty as under;

1st time Rs 100,000/-

2nd time Rs 500,000/-

3rd time Rs 1,000,000/-

4th time Outright confiscation of goods and blockage of WeBOC user ID for one year.

ii. If any person fails to attach or electronically upload mandatory documents required under section 79 or 131 of customer Act 1969 then such a person shall be liable to a penalty as under;

1st time Rs 50,000  
2nd time Rs 100,000  
3rd time Rs 150,000  
4th time Rs 200,000  
5th time Rs 250,000 and onwards,

iii. Penalties on the followings are now omitted:

- a) If without entry duly made, any goods are taken or passed out of any customs-station
- b) If the good declaration is not filled with in the prescribed period of ten days.

iv. In this Finance Bill, it is proposed that the retailer of any smuggled goods and unlawful goods or drugs shall be liable to imprisonment with fine or both same like on the person carrying, removing depositing, harboring, keeping or concealing.

### **29. THIRD PARTY CONFISCATION**

**[Section 157]**

It is proposed that the person liable to the confiscation has been sized for the third time, no option to pay fine in lieu of the confiscation shall be given.

### **30. RECOVERY OF DUTIES AND OTHER TAXES**

**[Section 179]**

It is proposed that the collector of customs shall confiscate the goods or recover the duties and other taxes on the goods lying on the airport or seaport the collector shall be decided within thirty days instead of ninety days of the issuance of show cause notice which can be extended by another fifteen days by collector of custom.

### **31. POWER AUTHORIZED TO BOARD**

**[Section 195]**

It is proposed that Board is authorized with the power to call any one and examine the record of any proceeding with in his jurisdiction under this act for the purpose of satisfying itself.

### **32. APPEAL IN HIGH COURT**

**[Section 196]**

It is proposed to give the power of appeal in the High court, to the Deputy Collector instead of Additional Collector.

### **33. REWARD TO CUSTOM OFFICER**

**[Section 202B]**

It is proposed to provide the reward to the custom officer on confiscation of smuggled goods or evasion of taxes on any goods. Reward is also proposed to the whistle blower to point out the smuggled goods or vehicle.

### 34. ADVANCE RULING

#### [Section 212B]

It is proposed that the validity period of advance ruling is increased from one year to three years in accordance with international benchmark and facilitating trade.

### 35. REDUCTION CONCESSION IN CUSTOM DUTIES

#### [First schedule]

It is proposed that the following industries are involved to get relief as under;

Description of Industry / Item	Rate Proposed
Glucose precursors, Yeast, Toxin Binders, Energy supplements for cow's transition period, Non-protein nitrogen sources - vaccines for veterinary medicines and feed additives imported by dairy sector, Acidifiers, Electrolytes for calves, Biotin, Buffers, Copper boluses.	5%
Imiglucerase, Laronidase, Agalsidase, Alghlucosidase Alfa, Protactant Alfa and Caffeine Citrate – These are 6 live saving drugs	0%
Specified machinery, equipment and other goods for textile sector, subject to condition that imported by textile industrial units registered with Ministry of Textile Industrial & not locally manufactured.	0%
Specified goods for tourism projects, subject to certification by the concerned Secretary of Provincial Tourism Department or equivalent Authorized Officer of the Federal Government as bona fide requirement of the approved projects with objective to promote tourism industry.	50% of prevailing rate of custom duty
Medicaments used as input by poultry industry.	3%
PVC Emulsion grade imported by Sales Tax registered manufacturers of artificial leather subject to quota determination by Input Output Co-efficient Organization (IOCO) and also subject to lab test.	0%
Release paper imported by Sales Tax registered manufacturers of artificial leather subject to quota determination by IOCO.	3%
Specified inputs, if imported by manufacturers of Ready to Use Supplementary Foods (RUSF) and Ready-To-Use Therapeutic Food (RUTF), duly authorized by United Nations World Food Program (UNWFP) and subject to annual quota determination by IOCO.	0%
Grain storage hermetic bags and cocoons subject to certification by Ministry of National Food Security and Research (MoNFS&R) that 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	0%

Customs Computerized System against specific user ID and Password obtained under section 155D of the Customs Act, 1969.	
Inputs relating to footwear industry, if imported by Sales Tax registered Shoe manufacturers subject to quota determination by IOCO.	5%
Raw material i.e. Film of ethylene for manufacturer of aseptic plastic packaging is proposed to 15% from 16%, if imported by a Sales Tax registered manufacturer of aseptic plastic packages meant for liquid foods, subject to quota determination by IOCO.	15%
Ednozym Pectofruit, Endozym Pectofruit PR, Endozym Alphamyl MG, Silite Normal Speed, Silite High Speed and Spindasol FJ under if imported by Sales Tax registered manufacturers of Food Processing Industry, subject to quota determination by IOCO.	3%

### Auto Sector Tariff Structure

Description	Rate Proposed
Import of 4-wheeler Vehicles Electric (CBU),	Concessional rate of 10% is proposed to be allowed till June 30, 2022 which is proposed to increase to 25% from July 1 2022 to June 30, 2026.
Import of first 100 4-wheeler Electric Vehicles (CBU) per company	Concessional rate of 50% of the above rates is proposed till June 30, 2026 subject to approval/certification by Engineering Development Board (EDB) which shall also monitor compliance with EV Policy 2020.
CKD and Spare parts of Electric Vehicles 4- wheelers: i) EV Specific components for assembly/manufacture in kit-form (CKD) ii) Components for assembly / manufacture in any kit-form (CKD)  - Non- Localised parts - Localised parts	<p>Concessional rate of 1% is proposed till June 30, 2026 subject to certification and quota determination by EDB.</p> <p>Concessional rate of 10% is proposed till June 30, 2026</p> <p>Concessional rate of 25% is proposed till June 30, 2026</p> <p><i>Subject to fulfillment of conditions mentioned at Para- 2 of the SRO 656(I) / 2006 dated 22.06.2006.</i></p>