BUSINESS RECORDER
Founded by M.A. Zuberi

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"Refund bonds" carrying 10 percent annual profit to be issued

The government has decided to issue refund bonds (promissory notes) to exporters, on annual profit of 10 percent with a maturity period of three years, for clearance of backlog of Rs200 billion stuck-up refunds.

Explaining the Finance Supplementary (Second Amendment) Act, 2019, officials of the Federal Board of Revenue (FBR) explained Wednesday that payment of sales tax refunds would be done through promissory notes. Huge amount of around Rs200 billion claimed by taxpayers are stuck in refunds. This causes liquidity crunch for businesses. These refunds have accumulated over a long time. The Section 67A is proposed to be inserted in the Sales Tax Act, 1990 to provide for issuance of promissory notes to claimants at their option. The proposed 10th Schedule in the Sales Tax Act provides for features and mechanism for issuance of these notes.

Under the Finance Supplementary (Second Amendment) Act, 2019, the promissory notes shall be issued by the Note Office in lieu of sales tax refunds as found admissible under the Sales Tax Act, 1990 to the refund claimants. The notes shall be printed by Pakistan Security Printing Corporation with security features and in the form as the Board may determine. The features of promissory notes revealed that the maturity period of the promissory notes shall be three years from the date of issuance. The promissory notes shall be issued in multiples of one hundred thousand rupees.

The promissory notes shall bear annual simple profit at ten per cent and shall be redeemable after the period of maturity. The promissory notes shall be redeemable before maturity only at the option of the Board along with simple profit payable at the time of redemption. The promissory notes shall be traded freely in the country"s secondary markets.

The promissory notes shall be approved securities for calculating the statutory liquidity reserve. The promissory notes shall be accepted by the banks as collateral.

There shall be no compulsory deduction of Zakat against the promissory notes and "Sahib-e-Nisab" may pay Zakat voluntarily according to Shariah.

Under the Finance Act 2019, the notes shall be transferable only in the manner provided. It shall be transferable by endorsement and delivery like a promissory note payable to order. No endorsement of a note shall be valid unless made by the signature of the holder or his duly constituted attorney or representative inscribed on the back of the note itself. No writing on a note shall be valid for the purpose of negotiation if such writing purports to transfer only a part of the amount denominated by the note.

The note office may decline to accept a note endorsed in blank for any purpose unless the endorsement in blank is converted into that in full before presentation.

When a note becomes due for payment, it shall be presented at the Note Office by the holder. On redemption, the profit on the notes shall be paid along with the face value, in the form of a crossed cheque drawn on the State Bank of Pakistan.

The cheque shall be signed by the in-charge of Note Office and another signatory as appointed by the Board.

The principal amount along with the profit shall be debited to the revenue account "B02368-Sales Tax Refund."

The procedure to be followed for the issue of a duplicate note in place of a note which is claimed to have been lost, stolen, destroyed, mutilated or defaced either wholly or in part, shall, mutatis mutandis, be the same as laid out in respect of the promissory note in the Public Debt Rules, 1946.

In case of an executant being unable to write, the procedure as provided in the Public Debt Rules, 1946, shall be followed, the Finance Bill added.

SOHAIL SARFRAZ