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- TOP STORIES

EPO, IPO altered

Page No.01 Col No.04

The federal government altered Export Policy Order (EPO) and Import Policy Order (IPO) 2016, allowing duty and tax free re-exportable materials, lifting of ban on export of sugar and import of five year used electric vehicles on the analogy of three years used cars, well informed sources in Commerce Ministry told *Business Recorder.*

On May 30, 2018, Commerce Division informed the ECC that the regulatory provisions of the Strategic Trade Policy Framework (STPF) 2015-18 were notified through the Import Policy Order (IPO) 2016 and Export Policy Order (EPO) 2016. As a process of periodic review of the import and export regulations and procedures, the private and public sector stakeholders pointed out certain anomalies and improvements in the regulatory provisions. Besides, the Prime Minister''s office, on submission of summaries for waiver of certain provisions of IPO and EPO on case- to-case basis, directed/suggested to incorporate amendments in the policy order.

The Commerce Division further revealed that the following proposed amendments in the EPO and IPO were discussed and agreed in the inter-ministerial meetings organised by the Commerce Division and attended by representatives from the Ministries of Industries and Production, Finance, National Food Security and Research, Climate Change, National Health Services & Research, Federal Board of Revenue and State Bank of Pakistan.

According to sources, a number of proposals from different sectors landed in the Commerce Division in which amendments in Export Policy Order (EPO) and Import Policy Order (IPO) 2016 were suggested. The Commerce Division placed all the agreed proposals before the ECC in the last meeting before the end of the Abbasi-led administration''s tenure held on May 30, 2018. The ECC approved almost all the following proposals with minor changes in a couple of proposals.

Commerce Division in its summary apprised the EC that the re-export of imported goods in their original and unprocessed form is allowed in the Export Policy Order (EPO) subject to certain conditions. Pakistani exporters/ entrepreneurs are engaged in the following types of trading activities which complement exports and earn profits in foreign exchange: (i) supply part of shipment from domestic production and the remaining part by sourcing from other countries; (ii) sourcing the entire shipment from a third country and re-shipping from the Pakistani ports to the foreign buyers without getting it cleared for domestic consumption and ;(iii) sourcing from third countries and supplying directly to the foreign buyer without bringing it to Pakistani ports.

Commerce Division proposed that the above mentioned category of exporters (i) and (ii) may be allowed to re-export the imported part/whole of the shipment without payment of duties and taxes against free number as outlined under the CGO 02/2005 of February 8, 2005. For third country exports under category (iii), Federal Board of Revenue and State Bank of Pakistan in consultation with the Ministry of Commerce, may devise a procedure for facilitating such exports to reduce the transaction costs.

The sources said, export/re-export of humanitarian goods (para 10 of the EPO) provides that "all humanitarian food commodities shall be allowed to re-export by international humanitarian aid and relief agencies". Similarly, para 7, sub para (6) of the EPO provides that "all humanitarian relief organisations shall be allowed to export goods (excluding banned/ restricted) to Afghanistan without form E subject to the provision of encashment certificate of foreign exchange from authorised dealers." Commerce Division, in its summary proposed that besides the re-export of imported goods, the export of Pakistani goods by the international humanitarian aid and relief organisations may also be allowed to all destinations without form E subject to the provision of encashment certificate of foreign exchange from authorised dealers. The National Disaster Management Authority may specify the list of leading international humanitarian agencies eligible under this provision to preclude the misuse of this facility.

The sources further stated that zero rating of export of PVC & PMC to Afghanistan-PVC and OMC materials are included in schedule-III of the EPO, which is negative list for export to Afghanistan under Duty Drawback scheme. The export of these items from Export Processing Zones, manufacturing bonds and export oriented is allowed but is not entitled to zero rating of sale tax. The PVC and PMC materials are also listed in Schedule III of the EPO which constitutes the negative list of items for exports to Afghanistan under Duty Drawback Scheme. The imposition of sales tax and absence of duty drawback on these items make the Pakistani manufacturers uncompetitive vis-à-vis exports of these items to Afghanistan by the competitions under the Afghan Pakistan Transit Trade Agreement.

Export-cum-re-import of hunting guns/arms: Pakistani hunters visit abroad on hunting expeditions. They take along (export) their hunting weapons and ammunition and bring back (re-import) on return. Currently, there is no procedure in the Export Policy Order for such export-com-re-import. On the other hand, under Sr. No.11, Schedule -II of Export Policy Order, Export of arms, ammunition, explosives and ingredients thereof is subject to NOC from Ministry of Defence production (MoDP).

Import cum re-import of pulses: the export of pluses of all sorts, gram and gram flour are banned under the Export Policy Order. The ban on export was imposed to stabilize the prices of the pulses in the country since the production of pluses and gram in Pakistan in recent years has been insufficient to meet domestic demand. The demand supply gap is being met through imports which are duty free. There are several pulses factories and food brands which had developed the market for such products in foreign markets. Due to the ban on export of pulses, such business has been diverted to other suppliers ie India.

Commerce Ministry proposed that in order to promote export of pulses after value addition of imported raw materials, the re-export of pulses may be allowed to those exporters who import the raw materials/whole grains under Manufacturing Bond or DTRE Scheme. The re-export may be allowed upto 80% of the imported quantity of the whole grains/ raw materials.

The Commerce Ministry sought removal of following regulatory anomalies in the Export Policy Order: (i) Export of tobacco and tobacco products. Under the Pakistan Tobacco Board (BTB) Ordinance 1968, the export of tobacco and its products is subject to licence issued by the PTB but is not mentioned in the Export Policy Order. The same may be added to the Schedule II of the Export Policy Order; (ii) export of sugar. The export of sugar is currently mentioned in Schedule 1 of the EPO which deals with items completely banned for export. However, the export of sugar is made from time to time with the approval of the ECC of the Cabinet. Currently the export production capacity is significantly surplus to the domestic consumption and the restriction on its export limits the options for the sugar industry to take advantage of the global market prices. This entry may be removed from Schedule-I; (iii) export of controlled commodities- the export of dual-use goods, technologies, material and equipment is currently subject to NoC from SECDIV, Ministry of Foreign Affairs, as per provisions of the ""Export Control on Goods, Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act, 2004 (v of 2004). As the Act provides for the condition of "licence" instead of "NoC" the word "NoC" may be replaced with "licence" in the EPO. Besides, under Para 15 of the EPO the export, re-export, transit and trans-shipment of al such commodities is subject to the Export Control (Licensing and Enforcement) Rules, 2009; the repetition of the same condition at provisos to the Paras 4(1), 4(2) (c) and Para 4(2)(h) of EPO being duplicate and confusing may be deleted.

Commerce Ministry proposed that the following provisions of the Export Policy Order contain incorrect reference may be corrected: (i) re-export of goods - para 9 of EPO which regulates the re-export of goods, mentioned in schedule III as negative list under APTTA whereas schedule III is the negative list under Duty Drawback Scheme. The incorrect reference to schedule III in para 9 of EPO may be removed; and (iii) Export of relief goods- as per Sr. No.4(2) (f) of EPO the Cabinet Division (Relief Cell) is allowed to export relief goods to any part of the world irrespective of their export status. Cabinet Division (Relief Cell) has been devolved and the subject has been assigned to Ministry of Climate Change. The words

"Cabinet Division" may be replaced with "Ministry of Climate Change".

Import Policy Order (IPO).

The proposed amendments in IPO 2016: Pictorial warning on imported cigarette packets- appendix B. Sr. No. 12 provides that the import of cigarettes is allowed subject to condition that the packets should carry the warning ''smoking is injurious to health". Under e SRO 87(KE)/2009, this warning has been replaced by pictorial health warning. Commerce Division proposed that the existing condition for import prescribed under Sr. No. 12 Appendix B of IPO may be replaced with the words "packets should carry the health warning as prescribed under the SRO.87 (KE)/2009."

Import of raw materials by Export Oriented Units(EOU): import of inputs included in Appendix-B (restricted items) and Appendix-G (negative list for India) is allowed to the export houses, manufacturing bonds and exporters operating under manufacturing bonds, common bonded warehouses, Duty and Tax Remission for Exports (DTRE) of the Customs Rules, 2001, and temporary importation scheme. However, such facility is not allowed to the export oriented units.

Commerce Division proposed that the export oriented units may also be allowed the facility to import raw materials included in Appendix-B and Appendix-G.

Compliance with emission standards: The import of various types of used/second-hand specialized machinery and vehicles under the IPO is allowed subject to the compliance with Euro-II emission standards. The facilities for pre-shipment inspection on Euro-II standard are not available in many exporting countries because they either follow higher standards than Euro-II, or may have their own emission standards.

Commerce Division proposed that in the relevant provisions of IPO requiring the compliance with Euro-II emission standards, the words "Euro-II" may be replaced with "Euro-II equivalent or higher" emission standards.

Import of Vintage Cars: the import of used cars is not allowed with the objective of protecting domestic car manufacturing industry. Vintage cars, mainly imported by enthusiasts, do not directly compete with the locally manufactured cars.

Commerce Division proposed that the import of vintage cars, which are over fifty years, may be allowed subject to other customs procedures. Besides, in order to develop the industry for restoration of vintage cars in Pakistan for subsequent re-export, the import duty and taxes paid at the time of import may be refunded in case the imported vintage car is re-exported with one year of import.

Import of electric vehicles: The import of used cars upto 3 years old is allowed to overseas Pakistanis under the Personal Baggage Scheme, Transfer of Residence Scheme and Gift Scheme.

Commerce Ministry proposed that in order to encourage usage of renewable energy and to reduce carbon emission, the import of used Electric Vehicles (EV) upto 5 years old may be allowed under the Personal Baggage, Transfer of Residence and Gift Schemes.

The ECC did not approve the proposal about import of colourless palm stearin oil and directed Commerce Division to examine the proposal afresh.

Import of processed food and non-food items: Under the SRO 1067(1) 2017 of October 20, 2017, the import of several food and non food items is subject to the production of report to the effect that the consignment is free from pest/disease, to be certified by the Department of Plant Protection. The importers of processed food and non-food items have approached the Ministry of Commerce stating that the canned and processed food products and non-food products not covered under the definition of " plant and plant material" as envisaged at section 2 ,sub section (n) of Pakistan Plant Quarantine Rules, 1967. They requested that they may be exempted from the requirement laid down under the SRO

1067(1) 2017.

Commerce Division proposed that the processed food products and non-food products may be exempted from the requirements contained in SRO 1067(1) 2017. However, the processed food products may be subject to quality standards specified by the Pakistan Standard and Quality Control Authority (PSQCA).

Inspection report of food and non- food items: Under SRO 1067(1) 2017, the import of several food and non-food items is subject to the production of report to the effect that the consignment is free from pests/diseases to be certified by the Department of Plant Protection. The subject SRO dos not specify the inspection company/agency whose report will be admissible for the purposes of this condition.

Commerce Division proposed that the inspection report by any of the Inspection Companies listed in Appendix II of the Import Policy Order, as updated from time to time may be admissible for the purpose.

The ECC approved the proposal with the condition to insert the definition of "processed food" and adding the provision to retain the power of PPD for random inspection intact.

Inspection of Used Imported Machinery: the import of used construction machinery is allowed subject to certain conditions specified in the Import Policy Order. In order to ensure that the imported machinery is ill good working condition, Para 9(i)(3), Para 9(ii)(1,2&5), Sr. No. 57 of Part-I or Appendix 13, and Sr. Nos. 23,24,25,27,27,28 and 30 of Part-II of Appendix B of IPO, stipulate that the import of the subject goods would be, inter alia, conditional to pre-shipment inspection by the international pre-shipment inspection companies listed at Appendix-H of IPO. The Ministry of Commerce has been receiving requests from several importers who fail to get pre-shipment inspection from the companies listed at Appendix-H for allowing the importer to get the inspection from the laboratories/branches of the same international inspection companies in Pakistan. A few of such requests were submitted to the Prime Minister to condone the condition in exercise of powers vested under Para 19 and 20 of the IPO. However, the cases were returned with the advice that appropriate amendments be made in the policy.

Commerce Ministry, in its summary proposed that the subject provisions of the IPO may be amended to the effect that in cases where the importers fail to get pre-shipment inspection by the companies listed in Appendix-H. Their imported consignments may be cleared subject to satisfactory inspection report by the laboratories/branches in Pakistan of the inspection companies listed in Appendix-H and payment of 10% surcharge of the applicable customs duty.

Commerce Ministry requested the ECC to remove the following anomalies in the Import Policy Order: (a) dual inspection of lubricant oils: Under Sr. No. 93, Appendix N. the import of internal combustion lubricant oil is subject to meeting the Pakistan Standards at import stage. Simultaneously, the import of lubricating oils is subject to certain quality standards and registration with OGRA under Rules. Currently, at the import stage, there is dual testing by OGRA and PSQCA against same quality standards, which adds to the cost of doing business and increases the dwell time at ports. Henceforth, only OGRA may be responsible for testing of the shipment against Pakistan standards, in case the shipment meets Pakistan Standard, on the basis of test report conducted by OGRA, it may be released without inspection by PSQCA; (b) definition of New Vehicle: Under Para 2(1) of the IPO, the new vehicle is defined as a vehicle "manufactured during twelve months preceding the date of importation and not registered or used prior to importation." There have been differences on interpretation of the word "or" in the definition and the extent of maximum mileage/usage to qualify as not "used". In order to clarify the definition, the "new vehicle" may be defined as a vehicle "manufactured during twelve months preceding the date of importation and neither registered nor used more than 500 kilometres prior to the importation; (c) provision of irrevocable L/C under Para 4 of IPO: Para 4 of the IPO provides protection to the shipments in the pipeline at the time of amendments brought in the IPO by providing that "the amendments brought in this Order from time to time shall not be applicable to such imports where Bill of Lading (B/L) or Letters of Credit (L/C) were issued or established prior to the issuance of amending Order". In order to avoid the misuse of this facility, the word "irrevocable" may be added before the "Letters of Credit and; (d) double entry of PCT Code 3915.9000 Sr. No. 52 of the Appendix B, Par II (Restricted Items List) of IPO provides that the waste, parings and scrap, of other plastics (PCT Code 3915.9000) is importable by industrial consumer subject to the fulfillment of certain conditions. The same PCT code is also listed as a banned item at Sr. No.15 of appendix A (banned list) of IPO.

Import of new car and three wheeler motorcycle by disabled persons: para 16 of the IPO provides that the disabled persons, subject to import authorization by Ministry of Commerce "are allowed custom duty free import of a car of engine capacity not exceeding 1350cc". The disabled have been approaching the MoC with the request that the cars customized for the disabled are usually not available in the engine capacity of 1350cc and below. This condition has practically neutralized the purpose of the policy since only a few dozen cars could be imported against around 700 authorizations issued by the MoC to the disabled since the inception of this policy in 2010. Commerce Ministry proposed that the maximum engine capacity for import of car by the disabled under the scheme may be enhanced to 1600 cc.