

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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Notifications Pursuant to Article XVI:1

PAKISTAN

The following notification has been received from the Permanent Mission of Pakistan.

A. EXEMPTION UPTO 55% OF INCOME EARNED FROM EXPORTS

I. Nature and extent of the subsidy

(a) Background and authority

Rebate on Incometax to assesseees exporting goods from Pakistan is allowed under the Finance Act. The Export Policy Order, 1982-83 and Part-IV of the First Schedule of the Incometax Ordinance 1979, lay down the details of the operation of this measure.

This exemption is granted as an essential instrument of economic development of Pakistan, to compensate exporters who are at a disadvantage compared with producers and traders who market their products in the domestic market.

(b) Incidence

Exemption of income earned from exports is available only to exporters. It takes the form of exemption of 55 per cent of the export income from income tax and supertax, if any. The exemption is not on a per unit basis.

(c) Amount of Subsidy

Because of its nature it is not possible to determine the amount of subsidy. No budget provisions were made or are made.

(d) Estimated amount per unit

Not applicable.

II. Effect of Subsidy

It is not possible to estimate the quantitative trade effects of the measure because of its nature.

B. EXPORT FINANCE SCHEME

I. Nature and extent of the Subsidy

(a) Background and authority

The State Bank under the State Bank of Pakistan Act, 1956 and the Banking Companies Ordinance, 1962 provides refinance to commercial banks at zero rate of interest against the latter's advances to finance exports of commodities at a rate of interest of 3 per cent on all manufactured goods and 2 % for engineering goods. The Scheme was introduced primarily to diversify and expand exports, particularly of non-traditional items in order to meet persistently large gap in the balance of payments. The Scheme, far from prejudicing the interest of any contracting party, merely seeks to maintain the competitive position of Pakistan's exports.

(b) Incidence

The Scheme is available to exporters of all commodities except raw cotton, cotton yarn, fish other than frozen and preserved, mutton and beef, petroleum products, crude vegetable minerals, wool and animal hair, crude animal material, feed-stuff for animals, all grains including grain flour, stone, sand, gravel, waste and scrap of all kinds, fertilizer crude, oil-seeds, nuts and kernels, pearls and precious stones, jewellery exported under the Entrustment Scheme, live animals, hides and skins, leather wet blue, inorganic elements, oxides etc., crude mineral, works of art and antiques, all metals, fur skins, and wood in rough or squared. It operates in two parts: Part I where export finance is provided on the basis of confirmed irrevocable letter of credit on firm export order on case by case basis, and, Part II, under which export finance limits are given by the Banks to exporters on the basis of previous year's export performance.

(c) Amount of subsidy

Because of the character of the Scheme it is difficult to estimate the amount of subsidy. The amount is, however, not likely to be significant.

(d) Estimated amount per unit

Not applicable.

II. Effect of Subsidy

Because of the nature of this measure it is not possible to estimate its quantitative trade effects. The Scheme seeks to maintain the competitive position of Pakistan's exports.