

GENERAL AGREEMENT ON

RESTRICTED

L/6630/Add.26

28 April 1992

TARIFFS AND TRADE

Special Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

PAKISTAN

A. EXEMPTION UP TO 75 PER CENT OF INCOME TAX ON INCOME EARNED FROM EXPORTS

I. Nature and extent of the subsidy

(a) Background and authority

Rebate on income tax to assessee exporting goods from Pakistan is allowed under the Finance Act. The existing Export Policy Order, and Part-IV of the First Schedule of the Income Tax 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 income tax and supertax, if any, by 25 to 50 per cent on net profits derived from exports. In respect of twenty-two specified items the exemption is 75 per cent.

(c) Amount of subsidy

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

(d) Estimated amount per unit

Not applicable.

II. Effects 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 export finance on concessional rate of 7 per cent, to exporters for a period ranging from 150 to 180 days. The Scheme was introduced primarily to diversify and expand exports, particularly of non-traditional items in order to meet a 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, and a number of other products. It operates in two parts: Part I where export finance is provided on the basis of confirmed irrevocable letter of credits on firm export order on case by case basis, 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.