

**GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE**

Islamabad, the 25th August, 2006

ORDER

S.R.O 871(I)/2006.- In exercise of the powers conferred by section 3 of the Imports and Exports (Control) Act, 1950 (XXXIX of 1950), and in order to encourage Research and Development in the leather footwear sector and to allow and regulate Research and Development Support to the leather footwear units with effect from 17th July, 2006, and until further orders the Federal Government is pleased to make the following Order, namely:-

1. **Short title and commencement** – (1) This Order may be called the Research and Development Support (Leather Footwear sector) Order, 2006.

(2) It shall come into force at once.

2. **Procedure and conditions** – The Research and Development Support shall be provided to leather footwear units manufacturing and exporting leather footwear falling under Chapter 64 of the Pakistan Customs Tariff at the rate of 6% of FOB value of exports subject to the following conditions, namely: -

- (a) the exporting unit shall be a member of Pakistan Footwear Manufacturers Association registered with the Director Trade Organizations (DTO), Ministry of Commerce;
- (b) the exporting units shall spend the amount received as Research and Development Support from the Federal Government on the following activities, namely:-
 - (i). Product development;
 - (ii). skill development and training;
 - (iii). upgradation of information technology; and
 - (iv). professional consultancy;

- (c) the expenditure on the activities referred to in clause (b) shall be reflected in the annual accounts and balance sheets of the exporting units. Exporting unit shall lodge its claims for Research and Development Support payment with field offices of SBP-Banking Services Corporation through their Authorized Dealers in the form as set out in Annexure-I to this Order duly supported by the documents as mentioned therein within ninety days of the date of realization of export proceeds;
- (d) certification for Research and Development carried out by the exporters shall be received from the above Association specified in clause (i) in the form as set out in Annexure-IV to this Order. Before verifying the claims, the Association shall carry out due diligence to ensure that the claim of the exporter is based on facts;
- (e) before submitting the claims, the authorized dealers shall scrutinize the application carefully and submit the same duly certified by them as an undertaking in the form as set out in Annexure-II to this Order, to the field offices of the SBP-Banking Services Corporation. Such applications shall be received by the said field offices up to 11:00 AM on all working days;
- (f) the admissible Research and Development Support payment as approved by the field office of the SBP-Banking Services Corporation shall be made by crediting the account of the concerned authorized dealer, who shall pay the amount to the exporters within twenty-four hours of receipt of credit in their account;
- (g) in order to avoid delay or rejection of the Research and Development Support claim, the authorized dealers at the time of certification of the E-Form, shall see that the description of the commodity is properly given in the E-Form and the invoices are in accordance with the nomenclature given in Chapter 64 of the Pakistan Customs Tariff;

- (h) authorized dealers, while forwarding applications for payment of Research and Development Support shall invariably and prominently rubber stamp at the top of the triplicate copy of the relevant E-Form with the following narration, namely:-

“Applications for Research and Development Support of Rs. _____ submitted to field office, SBP-Banking Services Corporation, vide Forwarding Schedule No. _____, dated _____ at Serial No. _____.”;

- (i) exporting unit shall rubber stamp at the top of the copy of the Goods Declaration Form (containing examiner’s report and MR date) prescribed under the Customs Act, 1969 (IV of 1969), the following narration, namely:-

“Research and Development Support of 6% shall be claimed for this consignment.”;

- (j) applications containing discrepancies shall be returned to the Authorized Dealers within two working days between 2:30 PM and 3:30 PM for re-submission duly rectified within the period as indicated in clause (3). While re-submitting the applications, authorized dealers shall quote the reference of the “forwarding schedule” under which the application was originally submitted;

- (k) no remittance on account of foreign importers’ subsequent claims for refund of money on account of quality or short quantity, etc., shall be allowed unless proportional amount of Research and Development Support is refunded;

- (l) in case of exports against advance payments, claim for Research and Development Support may be lodged once the shipment of the goods has been made, against which advance payment has been received; and
- (m) applications for Research and Development Support relating to zero period i.e. for the shipments made between the 17th July, 2006 and the date of issuance of this Order shall also be submitted by the authorized dealers as per the procedure given in this Order. Authorized Dealers are advised to bring the provisions of this Order to the notice of their constituents.

3. **Periodical audit;** - The Federal Government reserves the right to conduct periodical, random, on spot checks and audits to verify the proper usage, disbursement and claim of Research and Development Support claimed under this Order.

4. **Fraud and penalty;** - In case any fraud is detected in claiming the Research and Development Support under this Order, the Vice-Chairman, Export Promotion Bureau, shall be the competent authority to levy fines and penalty up to 300% of the fraudulently claimed amount. The Appellate Authority in this case shall be the Secretary Commerce.

5. **Monthly reports** - Association mentioned in clause (a) paragraph 2 shall submit to the Ministry of Commerce and the Export Promotion Bureau on a monthly basis a statement giving details of export consignments certified by them, for the purpose of Research and Development Support, giving description of goods with H.S. Codes, amount, quantity and destination.

6. **Contravention-** The Ministry of Commerce reserves the right to investigate and levy fine and penalty against any action taken in contravention of this Order in accordance with the provisions of the Imports and Exports (Control) Act, 1950 (XXXIX of 1950).

7. **Interpretations** - Any interpretation or clarification required regarding the application of this Order shall be made by the Ministry of Commerce.

Application Form for Payment of Research and Development Support on Export of Leather Footwear

The Chief Manager,
Field Office,
SBP BSC (Bank),
_____.

Subject: Application for Payment of Research and Development Support on Export of Leather Footwear

Dear Sir,

We, M/s. _____ having NTN: _____
(Name & Address of the Exporter)

hereby apply for payment of Research and Development Support of Rs. _____

(Rupees _____ only)

against shipments made by us to M/s. _____ as per following details: (Name & Address of the Importer Abroad)

- (i) E-Form No. & Date. ➤ _____
- (ii) Date of shipment. ➤ : _____
- (iii) Description of goods exported along with their HS Codes under the Pakistan Customs Tariff. ➤ : _____
- (iv) Value realized. ➤ FCY: _____
Equiv. PKR: _____
- (v) Freight paid. ➤ : _____
- (vi) Insurance premium paid. ➤ : _____
- (vii) Commission paid. ➤ : _____
- (viii) Net FOB value realized (iv)–(v)–(vi)–(vii). ➤ _____
- (ix) Amount of Research and Development Support claimed. ➤ _____

We further enclose the following documents in support of our claim:

(a) Triplicate Copy of E-Form duly endorsed.	(b) Copy of Goods Declaration Form (containing examiner's report and MR date) prescribed under the Customs Act, 1969.
(c) Copy of certified invoice.	(d) Copy of B/L / Airway Bill.
(e) Bank's Export Proceeds Realization Certificate (Annexure-III).	(f) (f) Commission Paid Certificate.
(g) Insurance Premium Paid Certificate (in case of CIF Exports).	(h) Research and Development Certification from relevant Association (Annexure-V).

Yours faithfully,

(Stamp & Signature of Exporter)

Annexure II
[See paragraph 2 (e)]

We, _____, the banker of M/s. _____,
(Name of the Bank) (Name of the Exporter)

undertake that we have verified the above particulars and found them in order. Research and Development Support works out to Rs. _____ (Rupees _____ only) on the above shipments which may please be credited to our account for payment to M/s. _____).
(name of Exporter)

If any discrepancy is detected subsequently, the SBP may debit the amount involved to our account along with penal interest @ _____ % p.a.

Yours faithfully,

(Stamp & Signature of the Authorized Dealer)

Export Proceeds Realization Certificate

This is to certify that the following export bill(s) drawn by
M/s_____ has been negotiated
and collected by us and the proceeds will be repatriated / has been repatriated to Pakistan:

- (i) Bill No._____
- (ii) E-Form No._____
- (iii) Date of Negotiation / Realization:_____
- (iv) Amount Negotiated / Realized:_____

The triplicate copy of E-Form has been / will be sent to the State Bank of Pakistan
with our Monthly Returns_____ for the period ended
on_____.

(Stamp & Signature of Authorized Dealer)

RESEARCH AND DEVELOPMENT CERTIFICATION

This is to certify that the claim of M/s. _____ for an amount of Rs. _____ is verified on the basis of his expenditure on Research and Development in the following areas:

- (i) Product development;
- (ii) skill development and training of staff and workers;
- (iii) upgradation of information technology;
- (iv) professional consultancy.

(Name & Signature of Authorized Official)

(Stamp/Seal of Association containing date)

[No. 13(5)/2006-E-I]

(Adil Khan Miankhel)
Section Officer