

**EXPORT PROMOTION BUREAU  
GOVERNMENT OF PAKISTAN  
KARACHI**

No. 2(6)/2006-PPI

August 31, 2006

**PUBLIC NOTICE**

**Scheme for Freight Subsidy on Exports**

It is notified for the information of exporters that, in terms of the Trade Policy for 2006-07, the freight subsidy scheme has been modified according to the following revised rules and regulations.

**1. Short Title and Commencement:** The scheme will be called "Scheme for Freight Subsidy on Exports", hereinafter referred to as "the scheme". The scheme is designed to leverage our market and product diversification efforts. Freight subsidy scheme will apply to exports/ shipments made between 1<sup>st</sup> August 2006 and 31<sup>st</sup> July 2007.

**2. Definitions:**

- a) "Eligible Products" will include all products except the product categories listed in Annex-I, provided that (a) if exported to Pakistan's strategic regions for export diversification, but initially limited to Annex-II, that is, (i) Africa, (ii) Pacific Islands, (iii) East European countries not included in the European Union, and (iv) the Central Asian Republics.
- b) "Developmental Products" (Annex-III), if exported to Pakistan's leading export destinations listed in Annex-IV.
- c) "National Bank" means the National Bank of Pakistan, FTC Branch, Karachi.
- d) "Bank" means the commercial bank which processes the freight subsidy claim and which also handled export documents connected with the freight subsidy claims.

**3. Admissibility of Freight Subsidy:**

- a) Exporters will be allowed 25% freight subsidy on exports of Eligible Products as defined in para 2 (a) and (b) above.
- b) Export shipments from 1<sup>st</sup> August 2006 to 31<sup>st</sup> July 2007 will be eligible for freight subsidy.
- c) No individual exporter / firm / company will be entitled to freight subsidy exceeding Rs. 5 million in a year.
- d) Freight subsidy will be available on C&F/CIF shipments.
- e) For exports by land route, subsidy will be available on the basis of actual freight paid from the exit point in Pakistan to the destination, as per the Truck Receipt/Railway Receipt, limited to the benchmark freight rates to be determined by the Technical Committee in the Export Promotion Bureau.



#### **4 Documentary requirements:**

Exporter will file his application on the prescribed form (Annex-V), with his commercial bank which processed his E-Form as per the time frame given in para 5 below. The exporter will attach the following documents with his application:

- I. Summary of claim (Annex-VI).
- II. A copy of Commercial Invoice.
- III. 4th copy of Shipping Bill / GD in original bearing the rubber stamp "Under freight subsidy claim" along with one photocopy set which will be retained by the bank and the original returned to the exporter after verification by the Manager of the bank. The above rubber stamp will be stamped by the exporter on his GD at the time of shipment in case the exporter intends to claim the freight subsidy later. Failure to rubber stamp the Shipping Bill/ GD at the time of its filing with the Customs will invalidate the freight subsidy claim. Customs officer will sign on top of the rubber stamp in confirmation.
- IV. A copy of B/L or Airway Bill where the freight has been certified by the Air Line/Air Cargo Agent, which handled the shipment, in case of air shipments and by the Shipping Line/Freight Forwarder/ Shipping Agent/, which handled the shipment, in case of sea shipments.
- V. Original freight paid receipt (Truck Receipt/ Railway Receipt in case of land route freight) issued by the transport agency, which handled the shipment.
- VI. A copy of Bank Credit Advice wherever available at the time of filing of claim. However, exporters can file their claims without BCA, but payment in such cases will be authorized after receipt and filing of copy of BCA.
- VII. Check list of required documents signed and stamped by the Manager of the processing bank (Annex-VII). It will be the responsibility of the Bank Manager to ensure that all documents as required are correct and attached.

#### **5. Procedural requirements:**

- I. Exporter will lodge his claim on prescribed application form with his bank within 30 days of export shipment.
- II. Exporter will attach copy of BCA, if available, with his claim in addition to other documents as provided in this Public Notice. If BCA is not available, exporter can file his claim without BCA. The claim will be processed by the Auditors and intimation regarding the acceptance of such claims or otherwise will be sent by the Auditors to his bank within the given time frame, but payments for subsidy in such cases will be released by the Auditors on receipt of copy of BCA duly attested by the Manager of the bank of the exporter.
- III. The bank will process the claim and check that the documents required have been submitted by the exporter and will forward the claim to National Bank within 10



days of the receipt of the claim application, along with Checklist of documents verified by the Manager of the bank. The National Bank will forward the claim to the Auditors within three days after entering the claim in their record.

- IV. The Auditors, on receipt of a claim, will allocate a unique identification number to the claim and feed its data into their database. They will audit the claim and send payment advice to the National Bank of Pakistan, FTC Branch, Karachi, within 7 days of the receipt of claim from the bank, if the claim is in order; this would be done strictly on first-come-first-served basis.
- V. The unique identification number allotted by the Auditors to the claim will be prominently shown on all documents relevant to a claim and will be quoted in all communications, including the Auditors' approval, objections and rejection of the claim, and by the exporter while resubmission of claim, tracing a claim or lodging a complaint/ appeal with EPB.
- VI. If the claim is not found in order or incomplete, the Auditors will return the claim to the concerned bank with their audit observations, with request for resubmission within 30 days, which when received back will be put in queue of resubmitted claims. These claims will be disposed of by the Auditors within 7 days of receipt. The Auditors will report to EPB the claims remaining un-disposed even after resubmission.
- VII. If the Auditors find that the claim is not amenable to rectification, they will return the claim to the concerned bank with reasons for rejection, within 7 days.

#### 6. Implementation of the Scheme:

(a) Implementation of the scheme will be monitored by a Steering Committee, in the EPB comprising

- 1. Chairman EPB / Vice Chairman EPB
- 2. Director General (PPI) EPB
- 3. Director General (Supply Management) EPB
- 4. Consultant (Policy) EPB
- 5. Collector of Customs (Exports), Karachi
- 6. Director Foreign Exchange, State Bank of Pakistan, Karachi
- 7. Manager, National Bank of Pakistan, FTC Branch, Karachi
- 8. Representative of Pakistan Banking Association
- 9. Representative of Pakistan Shipping Association
- 10. Representative of Air Cargo Agents Association
- 11. Representative of Freight Forwarders Association
- 12. Director, EPB, Member / Secretary

(b) The Steering Committee will:

- (i) Monitor the working and effectiveness of the scheme;
- (ii) Review the rules and implementation of the scheme and to make such modifications, as it considers necessary for the purpose;



- (iv) Determine admissibility of freight subsidy in individual cases referred to it;
- (v) Advise recovery of the subsidy payment that may have been made wrongly to any exporter.

(c) The Steering Committee will be assisted by a Technical Committee comprising Director General (PPI) EPB, Consultant (Policy) EPB, Additional Collector of Customs (Exports), Karachi, Chairman of the Air Cargo Agents Association, a representative of the Freight Forwarders Association, and Manager National Bank.

(I) The Technical Committee will deliberate on requests for freight subsidy on products not already covered in the list of eligible products and make recommendations to the Steering Committee.

(II) The Technical Committee will determine the maximum land freights for distances for which land route freight subsidy is admissible.

(III) The Technical Committee will handle all references received in EPB for advice from the Steering Committee, Commercial Banks, the National Bank and the Auditors.

## 7. Appeal:

The exporter will have the right to file an appeal with Chairman EPB within 30 days of rejection by the Auditors giving reasons for contesting the decision of the Auditors. The decision of the Chairman EPB will be final.

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