



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Customs Laws and Allied
Taxes including Federal Excise
Duty and Revenue Accounting
(Application)**

AGP

Summer Exam-2025

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- Q.1.** a) 68% bid is the highest bid, so it will be accepted. According to Rule 73 (3) of the Customs Rules, 2001, where the amount of the highest bid given at an auction is upto sixty per cent but less than eighty percent of the reserve price, the orders of the Additional Collector shall be specifically obtained.
- b) The earnest money will be Rs. 680,000/- ($4,000,000 \times 68\% \times 25\%$). According to Rule 67 of the Customs Rules, 2001, twenty-five per cent of the amount of the highest bid given at an auction shall be payable by the bidder in each case as earnest money immediately after the fall of the hammer failing which the bid will be cancelled and the goods may be sold to the second highest bidder or the higher offer or re-auctioned, as deemed appropriate.
- c) According to Rule 68 of the Customs Rules, 2001, the balance of the amount of bid shall be paid by the successful bidder in cash or through bank draft in the National Bank/Treasury as prescribed by the Collector, within a period of seven days excluding holidays, of the final acceptance of the bid: provided that an officer not below the rank of Additional Collector may extend the period by not more than seven days, on case to case basis if he considers it to be fit and appropriate: provided further that Collector of Customs may extend the period already extended by the Additional Collector, up to fifteen days on case to case basis if he considers it to be fit and appropriate. Further, according to Rule 69 of Rules *ibid* if the balance of the amount of the bid is not paid within the period or extended period specified in rule 68, the earnest money shall be forfeited in favour of the Federal Government, and the goods may be sold by auction or otherwise.

Q.2. I. 1509.9000

- II. Section 25A of the Customs Act, 1969 requires application of customs value determined by the Director General Valuation Karachi, where fixed. In the instant case, as the value of olive oil has been fixed @ \$1.8/kg, so the invoice value declared by the importer shall not be considered. The import value of imported goods shall be as under

$$250000 \times 1.8 \times 250 = \text{Rs. } 112,500,000$$

$$\text{Insurance @ } 1\% = \text{Rs. } 1,125,000$$

$$\text{Landing charges @ } 1\% = \text{Rs. } 1,136,250$$

$$\text{Import value} = \text{Rs. } 114,761,250/- \text{ (4)}$$

III. Leviable duty and taxes (4)

Import value	114,761,250
Customs duty @ Rs. 6000/MT	1,500,000
Additional customs duty @ 7%	8,033,288
Sales tax @ 18%	22,373,017
Value addition tax @ 3%	3,728,836
Income tax @ 6%	9,023,783
Total	44,658,924

- Q.3.** a) Item-wise input goods used in exported goods;

Particulars	Input goods used in export	
Micro Fiber Cloth	3 x 1500 x 95%	4,275 meters
Sewing Thread	0.30 x 1500 x 95%	427.50 grams
Packing material	1 x 1,500	1,500

b) Closing inventory of input goods

- i. The DTRE user has exported 1,500 pieces of towels which is 80% of approved quantity, the approved quantity will be 2,000 towels (1,600/80%).
- ii. The DTRE user has imported/procured input goods for manufacturing of 90% of approved output goods which is 1,800 towels (2,000 x 90%), so the closing inventory is as under;

Particulars	Input goods used in export	
Micro Fiber Cloth	$(3 \times 1,800) - (3 \times 1,500)$	9,00 meters
Sewing Thread	$(0.30 \times 1,800) - (0.30 \times 1,500)$	90 grams
Packing material	$(1 \times 1,800) - (1 \times 1,500)$	300

- c) According to Rule 307A (1) of the Customs Rules, 2001, if a DTRE user fails to account for the duty and tax free acquired input goods, or he fails to account for his finished goods manufactured therefrom or he fails to account for his un-exported same-state-goods or he fails to consume the duty and tax free acquired input goods in exports in full except wastage, if not covered under valid extension, he shall be liable to pay duties and taxes including additional duties or additional tax and penalties leviable on such goods under the relevant Acts or the Ordinance.

- Q.4.**
- i. Yogurt 0403.2000
 - ii. Fresh Kiwifruit 0810.5000
 - iii. Split Air Conditioner 8415.1029
 - iv. Garlic 0703.2000
 - v. Gold Jewellery 7113.1910

- Q.5.** (i) Item-wise material required to produce 4,000 pairs of shoes

Particulars	Material requirement to produce 4,000 pairs	
Leather	$0.25 \times 8,000 \times 100/95$	2,105 sqr.mtr
Eyelets	$6 \times 8,000 = 48,000 + 4,800$	52,800 pcs

- (ii) Wastage produced

Particulars	Wastage	
Leather	$2,105 \times 5\%$	105 sqr.mtr
Eyelets	$48,000/10$	4,800 pcs

- Q.6.**
- a) 2201.1020
 - b) Calculation of duty and taxes

As the importer has removed 80% quantity, so, the value of ex-bonded goods will be $10,000 \times 80\% \times 2.2 \times 250 = \text{Rs. } 4,400,000/-$

(In rupees)	
Particulars	Amount
Import Value	4,400,000
Customs duty @ 20%	880,000
Additional customs duty @ 6%	264,000
Regulatory duty @ 30%	1,320,000
Federal excise duty 20% RP-W1	1,963,626
Sales tax @ 18%	1,588,973
Value addition tax @ 3%	264,829
Income tax @ 6%	523,068
Total	6,804,496

Working-1 Calculation of federal excise duty on retail price

Particulars		Amount
Import Value		4,400,000
Customs Duty	20%	880,000
Addl: Customs Duty	6%	264,000
Regulatory Duty	30%	1,320,000
Sales Tax	18%	1,235,520
Addl: Sales Tax	3%	205,920
WHT	6%	482,486
Total D&Ts plus Value-A		8,787,926
D&Ts without S.Tax-B	(A-1,235,520)	7,552,406
Retail price after retail profit @30%-C	B x 1.30	9,818,128
Federal excise duty @ 20% RP	9,818,128 x 20%	1,963,626

- Q.7. (i) Share of Sindh Government in divisible pool taxes during FY 2023-24 will be;

(In rupees)	
Sea customs duty	Rs. 600,000,000
Sales tax on cement	Rs. 700,000,000
Total Divisible Pool Taxes	1,300,000,000
Share of KPK on account of war on terror	13,000,000
Balance-A	1,287,000,000
Share of provincial governments (57.5% of A)-B	740,025,000
Share of Sindh Government @ 24.55% of B	181,676,138

- (ii) In terms of Para 5 of the Distribution of Revenues and Grant-in-Aid Order, 2010, each of the provinces shall be paid in each financial year a share in the net proceeds of the total royalties on crude oil an amount which bears to the total net proceeds the same proportion as the production of crude oil in the province in that year bears to the total production of crude oil. So, the Federal Government has no share in royalty on crude oil. The share of Punjab, Sindh and KPK governments are as under

	Rs.
Royalty on crude oil	500,000,000
Punjab (2,000/6,250) x 500,000,000	160,000,000
Sindh (2,750/6,250) x 500,000,000	220,000,000
KPK (1,500/6,250) x 500,000,000	120,000,000
