



**Pakistan Institute  
of Public Finance Accountants**

# **Model Solutions**

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

**AGP**

**Winter Exam-2024**

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### **Solutions – Customs Laws and Allied Taxes including Federal Excise Duty and Revenue Accounting (Theory)**

**Q.1.** According to section 18 of the Customs Act, 1969, customs duties shall be levied at such rates as are prescribed in the First Schedule or under any other law for the time being in force on:

- (a) goods imported into Pakistan;
- (b) goods brought from any foreign country to any customs station, and without payment of duty there, trans-shipped or transported for, or thence carried to, and imported at any other customs station; and
- (c) goods brought in bond from one customs station to another.

(1A) Notwithstanding anything contained in sub-section (1), customs duties shall be levied at such rates on import of goods or class of goods as are prescribed in the Fifth Schedule, subject to such conditions, limitations and restrictions as prescribed therein.

(2) No export duty shall be levied on the goods exported from Pakistan.

(3) The Federal Government may, by notification in the official Gazette, levy, subject to such conditions, limitations or restrictions as it may deem fit to impose, a regulatory duty on all or any of the goods imported or exported, as specified in the First Schedule at a rate not exceeding one hundred per cent of the value of such goods as determined under section 25 or, as the case may be, section 25A.

(4) The regulatory duty levied under sub-section (3) shall

(a) be in addition to any duty imposed under sub-section (1) or under any other law for the time being in force; and

(b) be leviable on and from the day specified in the notification issued under that sub-section, notwithstanding the fact that the issue of the official Gazette in which such notification appears is published at any time after that day.

(5) The Federal Government may, by notification in the official Gazette, levy an additional customs-duty on such imported goods as are specified in the First Schedule, at a rate not exceeding thirty-five per cent of value of such goods as determined under section 25 or, as the case may be, section 25A:

Provided that the cumulative incidence of customs-duties leviable under sub-sections (1) and (5) shall not exceed the rates agreed to by the Government of Pakistan under multilateral trade agreements.

(6) The additional customs-duty levied under sub-section (5) shall be:

(a) in addition to any duty imposed under sub-sections (1) and (3) or under any other law for the time being in force; and

(b) leviable on and from the day specified in the notification issued under that sub-section, notwithstanding the fact that the official Gazette in which such notification appears is published at any time after that day.

**Q.2.** According to Section 12 of the Federal Excise Act, 2005,

(1) Where any goods are liable to duty under this Act at a rate dependent on their value, duty shall be assessed and paid on the basis of value as determined in accordance with sub-section (46) of section 2 of the Sales Tax Act, 1990, excluding the amount of duty payable thereon.

(2) Where any services are liable to duty under this Act at a rate dependent on the charges therefore, the duty shall be paid on total amount of charges for the services including the ancillary facilities or utilities, if any, irrespective whether such services have been rendered or provided on payment of charge or free of charge or on any confessional basis.

(3) Where any goods are chargeable to duty at the import stage, duty will be assessed and paid on the value determined in accordance with section 25 of the Customs Act, 1969, including customs duties payable thereon.



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(4) Where any goods are chargeable to a duty on the basis of retail price, duty thereon shall be paid on the retail price fixed by the manufacturer, inclusive of all duties, charges and taxes, other than sales tax levied and collected under section 3 of the Sales Tax Act, 1990, at which any particular brand or variety of such goods should be sold to the general body of consumers or, if more than one such price is so fixed for the same brand or variety, the highest of such price and such retail price shall, unless otherwise directed by the Board, be legibly, prominently and indelibly indicated on each good, packet, container, package, cover or label of such goods:

Provided that where so and as specified by the Board, any goods or class of goods liable to duty on local production as percentage of retail price, the provisions of this sub-section shall mutatis mutandis apply in case such goods are imported from abroad provided further that the Board may through a general order specify zones or areas only for the purpose of determination of highest retail price for any brand or variety of goods.

(5) The Board may fix the minimum price of any goods or class of goods, for the purpose of levying and collecting of duty and duty on such goods shall be paid accordingly provided that, where the price at which the goods or class of goods are sold, is higher than the price fixed by the Board, the duty shall, unless otherwise directed by the Board, be levied and collected at such higher price.

- Q.3.** In terms of Rule 5 of the Baggage Rules, 2006, in addition to other admissible allowances, the duty credit as specified in the Table below shall be admissible to a Pakistani national holding Foreign Exchange Remittance Card (FERC) once in a calendar year. The duty credit can also be utilized for the unaccompanied baggage or any purchase from one of the duty-free shops. The duty credit under this scheme shall not be utilizable on import of vehicles.

TABLE

S. No.	Type of FERC	Amount Remitted Through Normal Banking Channel(in US\$ or equivalent foreign currency)	Duty Credit in Pakistani Rupees
1.	Silver	2500 or more	10,000
2.	Silver Plus	5000 or more	20,000
3.	Golden	10,000 or more	30,000
4.	Golden Plus	25,000 or more	50,000
5.	Platinum	50,000 or more	100,000

- Q.3.** According to para 6.3.4 of Accounting Policies and Procedures Manual, a monthly reconciliation of bank accounts is a necessary part of financial management and is also an effective measure for detecting and deterring fraud and irregularities. Every DAO shall prepare a monthly reconciliation statement for expenditures and receipts and the respective Accountant General shall prepare a consolidated monthly reconciliation statement for each government bank account.

- Q.4.** Para 5.3.2 of the Accounting Policies and Procedures Manual, defines recognition of revenue as under:

5.3.2.1 Recognition of revenue occurs after the receipt of the money by the bank or clearance of the cheque This will be reflected in the accounting records when the bank scroll is received by the AG, AGPR, DAO or Treasury Office.

5.3.2.2 In the case of receipts arising from borrowings, revenue must be recognised and recorded in the accounts on the date that the funds are received at the bank.

5.3.2.3 Where receipts are collected at a department/entity, the revenue will be recognised in the accounts of the Government after the money is deposited at the bank by the concerned entity.

5.3.2.4 Receipts shall be recorded on a gross basis, that is, at the full amount received from the payer. Receipts will not be recorded net of any related costs, such as commissions or fees. Such costs are to be recorded separately as expenditures, under the relevant expenditure head.

- Q.4.** According to para 3 of the Distribution of Revenues and Grants-in-Aid Order, 2010, (1) the divisible



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- ii pool is consisted of following duty & taxes levied and collected by the Federal Government in that year;
- (i) Taxes on income;
  - (ii) Wealth tax;
  - (iii) Capital value tax;
  - (iv) Taxes on sales and purchases of goods imported, exported, produced, manufactured and consumed;
  - (v) Customs duties;
  - (vi) Federal excise duties excluding duty charged on gas on well-head; and
  - (vii) Any other tax levied by the Federal Government.

(2) One percent of the net proceeds of divisible pool taxes shall be assigned to the government of Khyber Pakhtunkhwa to meet the expenses on war on terror.

(3) After deducting the amount as prescribed in clause (2), of the balance amount of the net proceeds of divisible pool taxes, fifty-six percent shall be assigned to the provinces during the financial year 2010-11 and fifty-seven and half percent from the financial year 2011-12 onward. The share of federal government in the divisible pool shall be forty-four percent during the financial year 2010-11 and forty-two and half percent from the financial year 2011-12 onwards.

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