

No. F. 1(14)/DD-II/PPRA/2011
GOVERNMENT OF PAKISTAN
PUBLIC PROCUREMENT REGULATORY AUTHORITY
(CABINET DIVISION)
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Islamabad, the dated 21st December, 2011

SUBJECT: ALLEGATION OF CORRUPTION OF RS 112 MILLION OF M/S
SSANG YOUNG USMANI (J.V) IN CONTRACT OF KPT
PROJECT ALLEGED ILLEGAL REFUND OF GST AND SED.

Reference Public Procurement Regulatory Authority's letter No. Nil dated 20th October, 2011 on the above noted subject.

2. Your request was forwarded to Federal Board of Revenue (FBR), Islamabad for disposal under Rule – 48 of Public Procurement Rule, 2004. The comments of Procuring Agency are enclosed for kind consideration as it may be deemed appropriate.



(Naeem Ahmed)
Deputy Director-II

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GOVERNMENT OF PAKISTAN
REVENUE DIVISION
(FEDERAL BOARD OF REVENUE)

C.No. 1(9) Mach./98 / 172188

Islamabad, the 16th December, 2011

OFFICE MEMORANDUM

Subject: **ALLEGATION OF CORRUPTION OF RS 112 MILLION OF M/S SSANG YOUNG USMANI (J.V.) IN CONTRACT OF KPT PROJECT ALLEGED ILLEGAL REFUND OF GST AND SED.**

The undersigned is directed to refer to Public Procurement Regulatory Authority's letter No. F.1(14)/DD-II/PPRA/2011 dated the 20th October, 2011 on the subject cited above and to say that the subject issue was initially investigated by Directorate General of Intelligence & Investigation, Islamabad and a report was submitted vide letter No. 10(51)DGCI/Cus/2010/5703 dated the 27th October, 2010 (Annex-A). The Federal Board of Revenue, in order to reach a judicious decision, called report from Collector, Model Customs Collectorate (Appraisalment) who vide letter No. SI/Misc./192/2011-AIB dated 11.6.2011 and No. SI/Misc./181/2009-III dated 2.3.2011 (Annex-B) contended that the importers were entitled to the claimed benefit. The matter was again referred to the Directorate General of Intelligence & Investigation, which after reviewing the matter reported (Annex-C) that:-

"the Additional Director (Vigilance Wing), examined the issue and submitted his findings to HQs office, stating therein that since M/s Ssangyong & Usmani Joint Venture were the contractors of KPT and not the actual investors in the project, they were not entitled to exemption under SRO 575(I)/2006, dated 5.6.2006. The HQs office communicated the same interpretation of the SRO in question to the Board. Subsequently, when the Board vide its letter under reference forwarded correspondence from MCC (Appraisalment) and KPT, the issue was examined in detail by the Customs Wing of this Directorate General's Regional Office, Karachi. It was observed that the earlier interpretation of the SRO, to the effect that exemption under it was available to an investor only, was erroneous. The Additional Director (Vigilance Wing), not belonging to the Customs Service, due to lack of expertise in interpreting customs notifications which are quite technical in nature could not comprehend it properly. This Directorate General, therefore, agrees with the findings contained in the letter of Collector, MCC (Appraisalment) dated 11.6.2011, to the effect that exemption under SRO 575(I)/2006, dated 5.6.2006 is not linked to investment, and is rather a general exemption available to all importers, including M/s Ssangyong & Usmani Joint Venture, on the imports of machinery, equipment and capital goods, made by them for the infrastructure project in question".


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2. Subsequently after thorough deliberations, the FBR also concluded that in view of the language of the SRO, benefit of Sr. No. 16 of SRO 575(I)/2006, dated 5.6.2006 could not be restricted to the principal investors only but is also available to any importer who makes imports for the infrastructure project concerned, because infrastructure projects all over the world are implemented through contractors after international or national competitive bidding. The same was conveyed to the Collectorate and M/s KPT (being the Principal) was also sensitized on the issue (copies enclosed). It is imperative to point out that the matter of award of contract by KPT and any subsequent payments made against procurements does not relate to FBR but to KPT for which the same may be approached.

3. The matter regarding the benefit of SRO 575(I)/2006 stands finalized at the level of the FBR. No further action in this regard is, therefore, required.

Encl: As above

Mr Naeem Ahmed,
Deputy Director-I,
Public Procurement Regulatory Authority,
(Cabinet Division),
Islamabad.


(ABDUL WAHEED MARWAT)
SECOND SECRETARY (TARIFF-II)