

GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
FEDERAL BOARD OF REVENUE

Islamabad, the 21st September, 2020

NOTIFICATION
(SALES TAX AND FEDERAL EXCISE)

S.R.O. 889(I)/2020.--In exercise of the powers conferred by sub-section (1) of section 50 read with section 40C of the Sales Tax Act, 1990, read with sub-section (1) of section 4 and section 45A of the Federal Excise Act, 2005, the Federal Board of Revenue is pleased to direct that the following amendments shall be made in the Sales Tax Rules, 2006, namely:--

In the said Rules, after Chapter XIV-B, the following new Chapter shall be inserted, namely:--

“CHAPTER XIV-BA

**VIDEO ANALYTICS RULES FOR ELECTRONIC MONITORING OF
PRODUCTION OF SPECIFIED GOODS**

**SUB-CHAPTER 1
PRELIMINARY**

150 ZQR. Application.—The provisions of this Chapter shall apply to video surveillance for electronic monitoring of production on real time basis, hereinafter referred to as the specified goods meant, namely:-

- (a) goods specified in Third Schedule appended to the Sales Tax Act, 1990; or
- (b) any other goods notified by the Board through a specific order:

Provided that for any or all of the goods specified above shall be monitored through video surveillance and video analytics from the date as notified by the Board through a specific order.



150 ZQS. Definitions.- In this Chapter, unless there is anything repugnant in the subject or context,-

- (a) **“authorized vendor”** means any registered company which is authorized by the Board under these rules;
- (b) **“approval committee”** means a committee comprising of the officers notified by the Board for the approval of vendors of equipments to be installed at production lines of specified goods;
- (c) **“applicant”** means any registered company which applies for approval of its equipments for video monitoring of production under the rules;
- (d) **“pre-qualification”** means the selection of authorized vendor on the basis of evaluation criteria given in these rules;
- (e) **“video analytics”** or **“intelligent video analytics”** means a system for electronic monitoring of production on real-time basis;
- (f) **“intelligent videos surveillance”** or **“IVS”** means technology that uses software to automatically identify specific objects, behavior or attitudes in a video footage; and
- (g) **“central control room (CCR)”** means the control room established in FBR by Inland Revenue Operation Wing.

150 ZQT. Goods to be monitored electronically through video cameras etc- (1) Production of specified goods, manufactured in Pakistan, shall be monitored through intelligent video surveillance, and video analytics by installation of equipments including video cameras, sensors, etc., at production lines, as are approved by the Board for,-

- (a) real time collection of data that shows production through object detection and object counting;
- (b) transmission of data to central control room at FBR on real time basis, storage and archiving of data;
- (c) detection of unexpected stops;
- (d) quantitative analyses of productions; and
- (e) data analytics for required legal actions.

(2) No person engaged in manufacturing of specified goods shall remove the production from its business premises unless it has undergone the process of intelligent video surveillance.

SUB-CHAPTER 2 APPROVAL OF THE VENDOR

150 ZQU. Approved vendors.-(1) Manufacturers of specified goods shall buy video monitoring equipments only from the authorized vendor.

(2) No manufacturer of the specified goods shall buy video monitoring equipment which is not authorized or approved by the Board.

150 ZQV. Functioning of approval committee.- (1) The approval committee shall function in accordance with the provisions of these rules.

(2) Project Director shall be the convener of the approval committee and its headquarters shall be located at FBR House, Islamabad. The Board shall provide secretarial and other allied support required for functioning of the approval committee.

(3) The approval committee shall devise procedures for its functioning, which shall be in accordance with these rules.

150 ZQW. Application for approval .- (1) An application to get approval as authorized vendor for video monitoring of production of specified goods mentioned in these rules shall be made in duplicate to the Board.

(2) An application under sub-rule (1) shall be accompanied by all the supportive and relevant documents including the following, namely:-

- (a) a comprehensive profile of the company;
- (b) brief about managerial and technical personnel indicating name, position, qualification and experience;
- (c) total number of current employees;
- (d) list of major clientele;
- (e) documents showing relevant capacity of the video equipment;
- (f) complete history of activities undertaken and synopsis of the projects done;
- (g) current commitments and status of in-hand projects;
- (h) incorporation certificate under the Companies Act, 2017, National Tax Number (NTN) certificate;
- (i) audited accounts of the last three financial years;
- (j) Income Tax returns for the last three years;
- (k) registration with Sales Tax Department of FBR;
- (l) computerized National Identity Cards (CNICs) of the Directors of the incorporated company; and
- (m) undertaking that the company has never been blacklisted by any Government or private department or organization and has not been involved in confirmed cases of fiscal fraud.

150 ZQX. Criteria for grant of an authorization.- (1) The vendor shall be required to have and demonstrate ability to provide equipment with high security and efficiency for electronic monitoring of production and video analytics on real time basis.

(2) The equipment offered by the vendor must have the following features, namely:-



- (a) the equipment shall have high definition video camera and sensor that can record and count the production;
- (b) the equipment shall have ability to weigh the product contained in bags;
- (c) the equipment shall have ability to integrate with the software recommended by FBR which will be used for transmission of data to central control room;
- (d) the equipment will conduct video analytics and communicate results thereof to CCR;
- (e) the equipment will report any unauthorized stoppages of production through generation of appropriate alarm;
- (f) the system should have sixty days remotely retrievable local, on-site, and at place, specified by the Board, off-site, data storage at each site;
- (g) the CCR should have a central data storage capacity capable of storing and retrieving data on long term basis up to five years; and
- (h) the equipment must be stable, fault-tolerant, secure and accessible only by username and password as authorized by the Board.

150 ZQY. Functions and responsibilities of IT team of FBR.-(1) IT team shall develop a software to run and operate the system, as per requirements of the Board. The equipment provided by the vendor after integration with FBR software shall be able to perform the following functions, namely:-

- (a) monitoring capability on real-time basis at factory premises or production lines;
- (b) the ability to configure the production unit remotely;
- (c) the system must be capable of sending alert messages and trigger alarms, visible and audible, in case of occurrence of abnormal events such as unauthorized stoppages of production, tempering with equipments and camera etc;
- (d) the system reporting should be capable to filter and process the production data for statistical and analytical purposes; and
- (e) the system should ensure secure data storage and archiving of data for five years from its generation or recording;

(2) The team shall submit a complete list of operations, software and maintenance required to operate the equipment.

150 ZQZ. Procedure for grant of authorization.-(1) On receipt of an application for grant of authorization, in the Board, the approval committee shall evaluate it.

(2) The approval committee may also fix a date for a hearing to be attended by the vendor for the purposes of evaluation of the application submitted under sub-rule (1).

(3) The approval committee may also carry out visits and physical inspections to ascertain eligibility of the vendor for authorization under these rules.

(4) The vendor shall be required to give practical demonstration of the technological solution offered for approval.

(5) The approval committee shall send its recommendations to the Board, within thirty days, from the date of submission of the application. In case of recommendation for rejection of any application detail "causes", in writing, is required.

(6) In case a company meets the technical and financial criteria given in these rules, the licensing committee shall recommend to the Board for grant of authorization to such vendor.

(7) The Board may grant authorization to the recommended vendor(s).

(8) The qualified company shall be required to deposit bank guarantee for five percent of the value of the project cost or rupees five million, whichever is lower, to the approval committee, as financial security, at the time of issuance of the authorization. The bank guarantee shall be valid for whole duration of the authorization and shall be encashable in case of violation of these rules leading to loss of government revenue, in the manner as prescribed by the Board, after providing an opportunity of being heard.

SUB-CHAPTER 3 RESPONSIBILITIES OF THE VENDOR

150 ZQZA. RESPONSIBILITIES OF THE VENDOR.– (1) Subject to these rules, authorization of vendor shall be granted for a period of three years.

(2) The authorization granted under these rules shall be subject to the provisions of the Sales Tax Act, 1990.

(3) The authorization granted under these rules shall be non-transferrable and shall not be allowed to be used by any sub-contractor.

(4) The vendor shall specify the expected delivery and installation of equipment at factory premises, which shall not exceed sixty days from the date of order.

(5) The vendor shall also assist the Pakistan Revenue Automation (Pvt.) Ltd. (PRAL) to install its software on the equipment and run the system during trial period of authorization.

(6) An application for renewal of authorization shall be made, to the Board, by the vendor, within three months before its expiry.

(7) Board shall evaluate the application and may recommend renewal of authorization for three years.

(8) The vendor shall be required to comply with all the provisions of these rules for the renewed period.

150 ZQZB. Requirements to be met at the factory premises.- (1) The IT team of FBR shall ensure that each factory premises is connected to the system with adequate IT infrastructure required for real time electronic monitoring of production and generation of periodic reports.

(2) The vendor shall arrange testing of monitoring equipments at each production site.

150 ZQZC. Technical and training support.- (1) The IT team of FBR shall provide the following technical support, namely: –

- (a) setting up and maintenance of all information technology (IT) infrastructure, wherever needed, for the purposes of these rules; and
- (b) the team shall be fully responsible for,-
 - (i) all upgrades of the software;
 - (ii) all bug fixes; and
 - (iii) immediate response and repair of any technical problem in the system during holidays or working days to cover the major, minor and moderate problems for uninterrupted working of the system.

(2) The vendor shall undertake to upgrade, as per the new technological requirements, the installed IT structure, related software, and communication equipment etc., as and when required.

(3) Quarterly appraisal reviews of functioning and efficacy of the equipment shall be carried out by IT team of FBR.



SUB-CHAPTER 4 FEE AND CHARGES

150 ZQZD. Fee and charges.- (1) The vendor shall charge for purchase of equipment, the video camera and allied equipments, to the manufacturer.

(2) No fee whatsoever shall be charged from any of the field formations or the Board.

(3) The price of the equipment shall be decided between the approved vendor(s) and the manufacturer.

**SUB-CHAPTER 5
FUNCTIONS AND RESPONSIBILITIES OF OTHERS**

150 ZQZE. Functions and responsibilities of the manufacturer of specified goods.-(1) The manufacturer of specified goods shall –

- (a) make all production facilities available for installation of the system and allow access to the vendor and FBR for routine operations, inspection and maintenance;
- (b) not supply any goods without routing them through the intelligent video analytics,–
- (c) be responsible to pay the fee as agreed with the vendor;
- (d) be responsible for smooth functioning, protection and security of the intelligent video analytics;
- (e) report to the Board and concerned Commissioner Inland Revenue, within twenty-four hours of any operational failure, damage, disruption or tampering of the intelligent video analytics:

Provided that any damage to the system found to be due to carelessness, negligence or deliberate action of the manufacturer will be repaired at the expense of the manufacturer, without prejudice to any legal action that may be taken for recovery of evaded tax and imposition of penalty;

- (f) allow unhindered access to the FBR and any officer, authorized in this behalf;
- (g) give a notice to the Board, at least thirty days in advance, from the date of start of production of new brands of goods,

expansion, modification or any other changes in the production line;

- (h) make available the damaged equipments, camera, etc., for inspection by the officer authorized by Commissioner Inland Revenue;
- (i) report any inoperative production lines within twenty-four hours of occurrence to the concerned Commissioner Inland Revenue and the officer authorized by Commissioner Inland Revenue shall immediately proceed to secure such lines using a security seal and register the action in the intelligent video analytics; and
- (j) production lines sealed as aforesaid shall not be de-sealed to resume operation except with the permission of the Commissioner Inland Revenue.


**SUB-CHAPTER 6
MISCELLANEOUS**

150 ZQZF. Liabilities of the vendor.-(1) Without prejudice to the action that can be taken under these rules, the vendor shall be liable to punitive action under the Sales Tax Act, 1990 and rules made there under, in cases of its willful collusion with manufacturer for violation or contravention of any of such provision.

(2) The vendor shall also be liable to deposit duty and taxes alongwith surcharges and penalties under the Sales Tax Act, 1990 and the relevant rules, where it is established through proceedings under the Act, after providing an opportunity of being heard, that the vendor has colluded with manufacturer resulting in evasion of duty and taxes.

150 ZQZG. Audit.-The FBR shall arrange to carry out audit of the system every year. The report shall be used for system related improvements and corrective and remedial actions, where warranted.”

[C. No.3(13)ST-L&P/2017]


((Muhammad Masood Ahmed Gors))
Secretary (Sales Tax Policy)