



A(01)/PSEB/2022-1952

Islamabad, 14th February, 2022

### **FINANCIAL INCENTIVE POLICY ON IT AND IT-ENABLED SERVICES EXPORT REMITTANCES**

Financial incentive policy is applicable only to FY2021-22 till 30th June 2022. Policy objectives of the financial incentive are to accelerate growth of IT & IT-enabled Services (ITeS) export remittances by incentivizing Year-on-Year growth in export remittance receipts, encourage IT & ITeS export remittances through formal banking channels, and to improve reporting of export remittances in appropriate purpose codes assigned by the State Bank of Pakistan (SBP) for IT & IT-enabled Services.

Financial incentive scheme based on performance-based criteria of Year-on-Year growth in IT & ITeS export remittances is duly approved by the Economic Coordination Committee (ECC) and ratified by the Cabinet of Pakistan. The Government has allocated funds to Pakistan Software Export Board (PSEB) for disbursement of financial incentive against IT & ITeS export remittance receipts during the fiscal year 2020-2021. The disbursement will be based on the growth rate of IT & ITeS export remittances achieved during FY2020-2021, in comparison to the previous FY2019-2020.

The outcomes of financial incentive scheme against IT & ITeS export remittances for FY 2020-21 will be reviewed by the Committee constituted by the Board of Directors, Pakistan Software Export Board (PSEB) in order to improve, refine and simplify the process and mechanism of financial incentive scheme to be considered for the next year.

#### **I. Eligibility Criteria:**

Applicable eligibility criteria for the selection of IT & ITeS companies and call centers for the financial incentive scheme is as follows:

1. IT & ITeS companies and call centers that are sole proprietorship, association of persons (AOP) or a company incorporated or registered in Pakistan, with a valid PSEB registration and NTN.
2. Export remittance receipts are against eligible IT & IT-enabled Services and reported in SBP assigned purpose codes given in Table 1 below.
3. IT & ITeS export remittance receipts are equal to or above USD 10,000 during FY2020-21.
4. Only IT & ITeS export remittances that are received and converted into Pakistani Rupees through SBP's Authorized Dealers during 1st July, 2020 to 30th June, 2021 (both days inclusive) are eligible.

5. Growth rate of IT & ITeS export remittance receipts during FY2020-21 in comparison to export remittances during FY2019-20 is above zero percent.
6. Export proceeds retained in foreign currency retention account are not eligible.
7. Online application submitted for the financial incentive must be complete including the submission of Proceed Realization Certificates (PRCs) and duly signed statement(s) by the banks(s) certifying export remittances duly converted into Pakistani Rupees by purpose code during the FY2020-21 and FY2019-20 as per SBP prescribed format, as well as submission of required affidavit on Rs. 100 court stamp paper as per provided format, duly signed by the head of organization in Pakistan, company stamped and attested by the notary public. Original Affidavit is required to be submitted to Manager Industry Facilitation, PSEB Head Office, 2nd Floor, Evacuee Trust Complex, F-5, Agha Khan Road, Islamabad.
8. All required information, documents or any other details by PSEB or its designated audit firm(s) to verify the application for financial incentive, including but not limited to information related to company's business operations, domestic and export sales, source of export remittances, customer contracts, references, and accounts etc. have been provided promptly. Full cooperation to be provided to PSEB and designated audit firm(s) or any relevant Government authorities.

## **II. Criteria for Calculation of Financial Incentive Payment:**

Financial incentive will be processed for disbursement in Pakistani Rupees against eligible IT & IT-enabled Services (**Table 1**), based on the applicable financial incentive rate (**Table 2**) and applicable only on amount of increase in export remittance receipts from FY2019-2020 to FY2020-2021. For the purpose of financial incentive disbursement, applied foreign currency exchange rates for conversion into Pakistani Rupees will be based on yearly average of the respective foreign currency exchange rate during FY 2020-21.

**Table 1 – Eligible IT & IT-enabled Services:**

S. No.	Purpose	SBP Codes (Ref. SBP Code List No. 5)
1	Software Consultancy Services	9182
2	Export of Computer Software	9184
3	Other Computer Services	9185
4	Call Center Services	9102
5	Hardware Consultancy Services	9181
6	Maintenance and Repair of Computers	9183

**Table 2 – Financial Incentive Rates:**

S. No.	Export Remittances Growth Rate (Year-on-Year basis)	Financial Incentive Rate
1	Above 0% to 9.99% (Baseline)	2%
2	10% to 19.99%	3%
3	20% to 29.99%	4%
4	30% to 49%	5%
5	Above 49%	6%
6	<p>Companies with positive export remittances in FY2020-21 but zero export remittances in FY2019-20 will be rewarded at a financial incentive rate limited to 3%.</p> <p><i>While acknowledging and appreciating new businesses and existing businesses adopting formal banking channels for bringing in export remittances, this measure will also signal to established companies with long standing practices of complying with formal processes that their efforts are appreciated and recognized more.</i></p>	

### **III. Procedure & Processing of Financial Incentive Applications:**

1. IT & ITeS companies and call centers with valid PSEB registration will have access to online financial incentive application through their respective dashboard on PSEB registration portal. Whereas, companies and call centers with expired registration would need to renew their PSEB registration prior to applying for the incentive.
2. Application received by PSEB till the submission deadline of 30th April, 2022 or until availability of funds will be processed. No further applications will be accepted or processed after the deadline or after the available funds have been exhausted, without any financial or legal liability of PSEB.
3. Online application submitted for the financial incentive must be complete including the submission of Proceed Realization Certificates (PRCs) and duly signed statement(s) by the banks(s) certifying export remittances duly converted into Pakistani Rupees by purpose code during the FY2020-21 and FY2019-20 as per SBP prescribed format, as well as submission of required affidavit on Rs. 100 court stamp paper as per provided format, duly signed by the head of organization in Pakistan, company stamped and attested by the

- notary public. Original Affidavit is required to be submitted to Manager Industry Facilitation, PSEB Head Office, 2nd Floor, Evacuee Trust Complex, F-5, Agha Khan Road, Islamabad.
4. Proceeds Realization Certificates will be considered as the primary documents for verifying the export remittance receipts that have been duly converted to Pakistani Rupees. Whereas, Form-R submissions will be considered as supporting documents only since Form-R reflects the total export remittance receipt including remittances retained in foreign currency.
  5. If the application is incomplete or there is need for any additional information, the said application will be returned to the applicant company or call center stating the missing information or additional information required. Applicant will resubmit the application for consideration after addressing the issue raised by PSEB.
  6. If the application is found to be complete, PSEB will conduct a detailed review and verify against export remittance receipts data provided by SBP. In case of claim exceeding SBP provided data for the concerned company, SBP provided data would be considered final. During the review stage, applicant will be required to promptly provide any information, documents or any other details intimated by PSEB or its designated audit firm(s) to verify the application, including but not limited to information related to company's business operations, domestic and export sales, source of export remittances, customer contracts, references, and accounts etc. Full cooperation to be provided by the applicant to PSEB and designated audit firm(s) or any relevant Government authorities as and when required.
  7. Any applications requiring further scrutiny or any policy issues in processing of applications will be presented by PSEB to the constituted Oversight Committee for direction.
  8. In case of any remaining incomplete applications or those determined as not qualified for the financial incentive, PSEB will notify the applicant stating the reasons of rejection.
  9. Applications found to be complete and in order along with the actual amount of determined financial incentive payment due will be processed for disbursement by PSEB. The disbursement of financial incentive payments will be carried out by SBP Banking Services Corporation (SBP-BSC).

#### **IV. Periodic Audit:**

1. The receipt of financial incentive payment shall be properly reflected in the books of accounts and balance sheets of the recipient IT & ITeS exporters.
2. Where PSEB, MoITT, Finance Division or any other relevant Government authority considers it necessary, the accounts maintained may be subject to periodic, random, on the spot checks and audits to verify the claims filed and financial incentive received by the exporters.
3. These spot checks and audits may be carried out by the appointed third-party independent audit firm(s) of A category on SBP's list of auditors or from a QCR rated audit firms or any relevant Government authority.

#### **IV. Penalty for Contravention:**

1. In case of any claim implying fraud, the exporter shall be liable for punishment in accordance with the provisions of the Imports and Exports (Control) Act, 1950(XXXIX of 1950), and the rules and orders made thereunder without prejudice to any other action that may be taken under any other law for the time being in force.
2. Any claim implying fraud will result in paying back as penalty all the financial incentives paid in the past 3 years and blacklisting from the financial incentive scheme for the next 3 years. In accordance with the undertaking given in the application for the financial incentive and affidavit submitted by the applicant, relevant Government authorities are authorized to withdraw the amount of false claim directly from the applicant's bank account(s).
3. Arbitration Committee will be constituted to evaluate such cases to resolve the matter with the concerned claimant, prior to initiation of any criminal proceedings on case-to-case basis against the benefiting company.