



15<sup>th</sup> June, 2020

TL20/0615/1A

Mahmood Khan Sahib,  
Chief Minister,  
Government of Khyber Pakhtunkhwa,  
Chief Minister House,  
Peshawar..

Director General Procurement (Army)  
Fauji Tower,  
68 Tipu Road,  
Rawalpindi

**Subject: Complaint on Purchase the Equipment/ Machinery for Solid Waste Management for Water & Sanitation Services Companies (Peshawar, D.I. Khan & Malakand) under USAID Pakistan, Package No.3 (Lot 1), Excavator with Multiple Buckets from M/s Rikans International blacklisted by FBR, and Purchase of Excavator, Loader & Wheel Dozer by Director General Procurement (Army)**

Dear Sirs,

Transparency International Pakistan has received a complaint on the Purchase the Equipment/ Machinery for Solid Waste Management for Water & Sanitation Services Companies (Peshawar, D.I. Khan & Malakand) under USAID Pakistan, Package No.3 (Lot 1), Excavator with Multiple Buckets from M/s Rikans International blacklisted by FBR, and Purchase of Excavator, Loader & Wheel Dozer by Director General Procurement (Army)

The complainant has made following allegations.

1. That USAID has awarded or in process of awarding a contract to M/s. Rikans International who has already defrauded to Govt. Exchequer.
2. On a complaint against fraudulent act of M/s. Rikans International M/s. Rikans International in December 2014, FBR conducted an investigation in August 2016.
3. The Contract document between Solid Waste Management for Water & Sanitation Services Companies (Peshawar, D.I. Khan & Malakand and M/s Rikans International
4. FBR Contravention Report dated 11.8.2016 states as under ;

M/s Rikans International, Lahore have imported a consignment of 06 number Hydraulic Wheel Excavators, Model S180W Brand Doosan with standard accessories and got exemption of duty and taxes under PCT Heading 8429.5900 for the project "Municipal Services Program" in Khyber Pakhtunkhwa (MSP-KP) under the Pakistan Enhancement Partnership Agreement (PEPA) signed between the government of the Islamic Republic of Pakistan and Government of the United States of America on September 30, 2010 vide exemption certificate No.7(52)USA/2013 dated 06.02.2014 issued by Economic Affairs Division (US Section) Government of Pakistan. The complaint further alleged that instead of supplying the said machinery under USAID agreement to Solid Waste Management unit, Peshawar, M/s Rikans International supplied it to Directorate General Procurement (Army), Rawalpindi and evaded duty and taxes in violation of exemption certificate.



During the course of investigation, letters were addressed to the Project Director, Project Management Unit, Solid Waste Management, Peshawar to obtain detail information regarding the supplied of imported machinery under the exemption certificates issued to MIS Rikans International, Lahore by Economic Affairs Division, Islamabad. The Project Management Unit has supplied the following information vide letter No. MSP/PMU/Proc./2015-16/300 dated 01.07.2016 as under:-

Contract Agreement MSP/PMU/SWML/Lot-04 (Wheel Loader).

Description	Specification	Qty	Unit Price F.O.R Peshawar
Wheel Loader	Model:DL200A operating Weight: 11,120 kg. Engine: 162 HP@2,100	01	Rs. 19,476,990/-

(IV) Contract Agreement MSP/PMU/SWML/Lot-06 (Wheel Excavator).

Description	Specification	Qty	Unit Price F.O.R Peshawar
Wheel Excavator	Model: DX140W operating Weight: 13,750 kg. Engine: 132 HP@2,000 RPM Bucket Capacity:0.51M3 . Extra Bucket:0.24 M3 as per standard specifications.	01	Rs. 17,597,200/-

Simultaneously, letters were issued to General Headquarters (Army), Rawalpindi seeking details of machinery supplied to them by Mfs Rikans International who supplied the information vide letter dated 21.07.2016 in reply to this office letter C.No. IIB(Enf)Inq/ Rinks. Inv/23/2014/29 dated 11.07.2016 as under:

Ser	Contract No & Date	Item	Model	Qty	Price per Unit w/o GST (Rs)
A	14-0585-01 dated 28 Jun 2013	Wheel Dozer with Blades	DL200A	05	15,295,622/-
B	14-0586-01 dated 28 Jun 2013	Wheel Excavator	Solar 180\VV	13	14,386,272/-

The details of machines i.e. Engine numbers., chassis numbers and model numbers etc. were found the same as of machines imported through the GD in question i.e. LDRY-HC-856 dated 08.02.2014. This clarifies that the allegation of the complainant was correct and the exemption granted to M/s Rikans International, Lahore was actually misused.

From the above, it is clear that MIS. Rikans International, Lahore imported 06 wheel excavators Model S180W for the project named "Municipal Services Program" in Khyber Pakhtunk.hwa (MSP-KP) [under the Pakistan Enhanced Partnership Agreement (PEPA), signed between the Government of the Islamic Republic of Pakistan and Government of the United States of America on September 30,2010] by availing exemption of duty and taxes under exemption certificate issued by Economic Affairs Division (US Section) Government of Pakistan vide No. 7(52)USA/2013 dated 06.02.2014 against GD No. LDRY-HC-856 dated 08.02.2014 but instead of



supplying the said machinery to the project for which it was imported, it was supplied it to another entity i.e General Headquarters (Army), Rawalpindi. Thus, M/s Rikans International, Lahore has violated the exemption which availed against the imported machinery vide GD No. LDRY-HC-856 dated 08.02.2014 and also got the consignment short assessed by knowingly, intentionally, deliberately in league with their customs clearing agent and customs staff have caused total evasion of duty and taxes to Rs. 112,58,901/- (CD Rs. 1,709,520/-, ST Rs. 6,102,987/-, Add. S.T Rs. 1,076,998/-, IT Rs.2,369,395/-) on the said consignments. Thus, the said evaded amount of duty and taxes is recoverable from the said importer, besides penal action as warranted under the provisions of law for the committed offence under Section 26 & 32(1) of the Customs Act, 1969 read with Sections 3, 6, 33 & 34 of the Sales Tax Act, 1990, further read with Section 148 of the Income Tax Ordinance, 2001 punishable under Section 1,12,14 & 90 of Section 156 (0 of the Customs Act, 1969. The contravention report along with relevant documents is submitted for initiation of adjudication proceedings.

5. That later on M/s Rikans International even deposited the said amount Rs. 112,58,901/- to FBR.
6. That M/s Rikans International, Lahore had violated the exemption which availed against the imported machinery vide GO No. LDRY-HC-856 dated 08-02-2014 and also got the consignment short assessed by knowingly, intentionally, deliberately in league with their customs clearing agent and customs staff have caused total evasion of duty and taxes to Rs.112,58,901/- {CD Rs.1,709,520/-, ST Rs.6,102,987/-, Add. S.T Rs.1,076,998/-, IT Rs.2,369,395/-) on the said consignment. Thus, the said evaded amount of duty and taxes is recoverable from the said importer, besides penal action as warranted under the provisions of law for the committed offence under Section 26 & 32{1} of the Customs Act, 1969 read with Sections 3, 6,33 & 34 of the Sales Tax Act, 1990, further read with Section 148 of the Income Tax Ordinance, 2001 punishable under Section 1,12,14 & 90 of Section 156 (I) of the Customs Act, 1969.
7. That the department of Solid Waste Management for Water & Sanitation Services Companies (Peshawar, D.I. Khan & Malakand) has not only technically qualified but also awarded the contract to Rikans for the subject tender which is serious malpractice, which should immediately be cancel the contract and blacklist Rikans International for future dealing with USAID projects. And Director General Procurement (Army) shall also not purchase Excavator, Loader & Wheel Dozer from M/s Rinkans International

Transparency International Pakistan has reviewed the complaint, and confirms that on 12 December 2014, a complaint against M/s Rinkins International was received and sent to Chairman FBR, to take action on the allegations of Tax fraud **Annex-A**

And Chairman FBR on 22 December 2014 directed Collector Customs Lahore to conduct investigation. **Annex-B.**

The Collector Customs Lahore delayed the investigations, and FBR Investigations were completed after 19 months, in August 2016, according to which M/s Rankins has committed fraud with Solid Waste Management for Water & Sanitation Services



Companies (Peshawar, D.I. Khan & Malakand and also with Director General Procurement, General Headquarters (Army), Rawalpindi, and Ministry of EAD, GoP, i.e. corruption of Rs Rs.11,258,901/, which is stated to have been paid to FBR by M/s. Rankin International. **Annex-C & CI**

PPRA Rule No 7. Integrity Pact , and Chapter I, Code of ethics and integrity pact, Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 binds the contractor that if Corruption is proved, to pay Ten Time fine on Rs.11,258,901/., which is Rs 112,589,010, to both procuring agencies, and also action be initiated to debar r the firm by the two procuring agencies as well as USAID and EAD. And accordingly no contract to this company can be awarded as it has been blacklisted by FBR in 2016. **Annex-D**

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve the on going Zero tolerance against Corruption policy of the Prime Minister,

With Regards,

Sohail Mazaffar  
Chairman

Copies forwarded for the information with request to take action under their mandate to:

1. Secreatry, EAD, Ministry of Economic Affairs, Islamand,
2. DG NAB. Khyber Pakhtunkhwa Peshawar
3. Registrar Supreme Court of Pakistan, Islamabad
1. USAID, Islanabad,
2. \_Project Director. Project Management Unit, Municipal Service Program, Govt. of Khyber Pakhtunkhwa, Peshawar



**TRANSPARENCY  
INTERNATIONAL-PAKISTAN**

5-C, 2nd Floor, Khayaban-e-Ittehad, Phase VII,  
Defence Housing Authority, Karachi.  
Tel: (92-21)-35390408, 35390409, Fax: 35390410  
E-mail: ti.pakistan@gmail.com  
Website: www.transparency.org.pk

12<sup>th</sup> December, 2014

Mr. Tariq Bajwa,  
Chairman,  
Federal Board of Revenue,  
Government of Pakistan,  
Islamabad.

Sub: Complaint of Misusing Exemption Granted for USAID Projects for Non- USAID Projects.

Dear Sir,

Transparency International Pakistan has received a complaint from M/s Rikans International, Lahore for misusing exemption granted for USAID projects for non- USAID projects.

The complainant has made following allegations:

1. M/s Rikans International was granted exemption for imports under USAID grants on 6<sup>th</sup> February, 2014 for supply of Wheel Loader Excavator vide letter No. 7(52) USA/ 2013 dated 6<sup>th</sup> February, 2014 (Annexure A).
2. Rikans has illegally used this exemption for import of construction machines for Pakistan Army (Annexure B).
3. As per Annexure 2 and 3 Rikans under the name of Agro Form and Machinery is importing construction machines at an extremely low declared values and supplying the same machines to Pakistan Army under the name of Rikans International, and thus avoiding huge amount of sales tax (Annexure 2 & 3).
4. The company M/s Rikans International has taken exemption of import for supply of 1 wheel loader excavator with a value of PRs 19, 476, 990/- million according to exemption certificate No. 7 (52) USA/ 2013 by Government of Pakistan, Economics Affairs Division dated 6<sup>th</sup> February, 2014, on the request of USAID letter dated 27<sup>th</sup> December, 2013 (Annexure C).
5. This FBR may note that the exemption for wheel loader excavator was granted for 1 quantity only, or quantity of total value of PRs 19, 476, 990/- million, but the custom GD- I forms indicating Hydraulic Excavator with Standard Accessories, Excavator (For Agriculture Use) with Standard Accessories and Wheel Loader Excavator (For Agriculture Use) with Standard Accessories etc., are for many quantities.

No.7 (52) USA/2013

Islamabad, the 06<sup>th</sup> February, 2014.

OFFICE MEMORANDUM

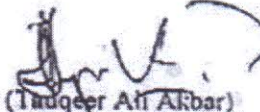
**SUBJECT: EXEMPTION CERTIFICATE**

The undersigned is directed to refer to the subject mentioned above and to enclose exemption certificates for import of following equipment duly signed and stamped, as requested by M/S RIKANS International, an official implementing partner of USAID/Pakistan.

S#	Description of goods	Amount in PKR
1.	Supply of Wheel Loader Excavator	19,476,990/-

2. M/S RIKANS International is implementing partner of USAID, and carrying out activities for the project named "Municipal Services Program in Khyber Pakhtunkhwa (MSP-KP)" under the Pakistan Enhanced Partnership Agreement (PEPA), signed between the Government of the Islamic Republic of Pakistan and Government of the United States of America on September 30, 2010. The items are being imported/purchased in accordance with Section B.4 of (PEPA) and concurrence provided by FBR vide letter no 3(191)Int-Taxes/02/78524 dated 31<sup>st</sup> May, 2011, thereon.

3. It is requested to take further necessary action for clearance of above mentioned consignment.

  
(Tauqeer Ali Akbar)  
Section Officer (USA)  
PH: 9201629

Collector of Customs Lahore

Copy for information to:-

Federal Board of Revenue,  
Chairman,  
Government of Pakistan,  
Islamabad.

Federal Board of Revenue  
Secretary (Sales Tax)  
Government of Pakistan  
Islamabad

✓ Ch. Muhammad Imran, Managing Director M/S RIKANS International,  
453, 2<sup>nd</sup> Floor, Main Boulevard Defence, Lahore.



6. The supply to army use is not for agriculture use, but the firm is misusing the exemption granted for excavator for agriculture use.

The Chairman, FBR is requested to kindly examine the complaint and if the complaint is genuine take action and recover the loss cause to the Exchequer either to FBR or Pakistan Army whatever the case maybe.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

Sohail Muzaffar  
Chairman

Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
2. Mr. Khurshid Shah, Leader of Opposition & Chairman, PAC, National Assembly, Islamabad.
3. Chairman, NAB, Islamabad.
4. Registrar, Supreme Court of Pakistan, Islamabad.
5. Managing Director, PPRA, Islamabad.

# Annex-C



# USAID | PAKISTAN

FROM THE AMERICAN PEOPLE

December 27, 2013

Mr. Idrees Muhammad  
Section Officer (U.S.)  
Economic Affairs Division (EAD)  
Ministry of Economic Affairs and Statistics  
Block "C," Pakistan Secretariat

**Subject: Request for Exemption of Customs Duty and Zero rated Sales Tax to M/s RIKANS International for USAID funded Municipal Services Program**

Dear Mr. Muhammad:

This letter is to inform you that M/s RIKANS International is an implementing partner financed by the U.S. Agency for International Development ("USAID") and carrying out activities for USAID's Municipal Services Program. These activities are financed by USAID under the Pakistan Enhanced Partnership Agreement (the "PEPA") between the Islamic Republic of Pakistan, acting through Economic Affairs Division (EAD), and the Government of the United States of America, acting through USAID, dated September 30, 2010, as amended. U.S. Government assistance to Pakistan is also covered by the Technical Cooperation treaty between the United States of America and Pakistan dated February 9, 1951, as amended (the "Bilateral").

Pursuant to the PEPA and the Bilateral, we request your assistance in securing General Sales Tax and Custom Duty exemptions for M/s RJKANS International per the details attached herewith. These items are required for activities that are part of the partner's work plan with USAID. In particular, we reference the benefits and exemptions provided under the PEPA in Section B4 (Page 4) and Articles III, Paragraph 2 of the Bilateral, as elaborated in the diplomatic note No. F1(25)-SA-CH/2002-295 from the Government of Pakistan Revenue Division (Central Board of Revenue) to USAID Pakistan dated September 19, 2002.

Please do not hesitate to contact me if there are questions regarding this letter or if you would like to discuss it further. I can be reached at 051-208-0000 or [kbell@usaid.gov](mailto:kbell@usaid.gov). Thank you for your continued cooperation.

Sincerely,

Kimberlee Bell  
Acting Director, Program Office

Attachment(s): Invoices for procurement of Machinery/Vehicles for Solid Waste Management.



GOVERNMENT OF PAKISTAN  
REVENUE DIVISION  
FEDERAL BOARD OF REVENUE  
CUSTOM WING  
\*\*\*\*\*

Annex-3

C.No.1(1)/2009.G&SE(Vol.II)

Islamabad the <sup>22</sup> December, 2014.

To : The Collector of Customs,  
Model Customs Collectorate of Appraisalment,  
Custom House, Nabha Road, Lahore.

Subject:- COMPALINT OF MISUSING OF EXEMPTION GRANTED FOR USAID  
PROJECTS FOR NON USAID PROJECTS.

I am directed to enclose a copy of letter dated 12-12-2014 alongwith its enclosures received from M/s Transparency International, Karachi on the subject noted above.

2. The Collectorate is requested to kindly investigate the matter and a comprehensive report may be sent to the Board at an early date.

Encl: As above.

(Imran Ahmad Ch)  
Secretary (G&SE)

✓ Copy to Mr. Sohail Muzaffar, Chairman, Transparency International, 5-C, 2<sup>nd</sup> Floor  
Khayaban-e-Ittehad, Phase VII, Defence Housing Authority, Karachi.

(Imran Ahmad Ch)  
Secretary (G&SE)



**GOVERNMENT OF PAKISTAN**  
**DIRECTORATE OF INTELLIGENCE AND**  
**INVESTIGATION-FBR, 358 – JAHANZEB BLOCK,**  
**ALLAMA IQBAL TOWN**  
**LAHORE**

C. No. IIB(Enf)/Inq/Rinks.Int/23/2014/ 432

Dated /2.08.2016

**CONTRAVENTION REPORT**

1	Case No. & Date:	13/Cont/Lhr/2016 dated 05.08.2016		
2	Date of Occurrence:	08.02.2014		
3	Date & place of detection	05.08.2016, Directorate of Intelligence and Investigation-FBR, Lahore.		
4	Name and address of the offenders	(i) M/S Rikans International Head Office 453, 2 <sup>nd</sup> Floor, Main Boulevard Defence, Lahore & 37-P, DHA, Lahore (importer). (ii) M/S Mirza Sons Corporation, 20-C Lahore Cantt; LCCHS, Midland Plaza 4-B, Defence Road, Lahore. (C/A) (iii) Concerned Customs Staff.		
5	Particulars of Goods Declarations:	GD No. LDYR-HC-856 dated 08.02.2014 of S180W Doosan Hydraulic Excavator with standard accessories.		
6	Nature of offence	Mis-used of exemptions under PCT heading 9903.		
7	Description & quantity of Goods	Wheel Excavator, Model S180W = 06 No. Weighing 106200 kg. Serial No. /Engine No. /Pin No. (i) HEWVO-002975/ DB-58TIS319264EG/DHKEWVOKD5002975 (ii) HEWVO-002976/ DB-58TIS319261EG/DHKEWVOKD5002976 (iii) HEWVO-002977/ DB-58TIS319263EG/DHKEWVOKD5002977 (iv) HEWVO-002978/ DB-58TIS319265EG/DHKEWVOKD5002978 (v) HEWVO-002979/ DB-58TIS319260EG/DHKEWVOKD5002979 (vi) HEWVO-002980/ DB-58TIS319262EG/DHKEWVOKD5002980		
8	Value of the Goods.	Rs. 34,190,406/-		
9	Duty & Taxes Involved	CD 5%	ST 17%	ADST 3%
		1,709,520	6,102,987	1,076,998
		IT 5.5%		
		2,369,395		
		Total Duty & Taxes Rs. 11,258,901/-		
10	Law contravened	Section 32 (I) of the Customs Act, 1969 read with Sections 3, 6, 33 & 34 of the Sales Tax Act, 1990, further read with Section 148 of the Income Tax Ordinance, 2001 punishable under Section 1, 12,14 & 90 of Section 156 (I) of the Customs Act, 1969.		
11	Code of the Informer	Syed Asad Raza Rizvi, Additonal Director, Intelligence & Investigation-FBR, Lahore.		
12	Name and designation of detecting staff	Mr. Taimoor Kamal Malik, Addl. Director. Mrs. Zainab Mahmood, Assistant Director. Mr. Tahir Iqbal, SIO. Mr. Saleem Ullah, Syed Abbas Jafri, S.I.O. Mr. Khalid Kafeel, Intelligence Officer. Mr. Mian Muhammad Yasin, Intelligence Officer. Mr. Muhammad Ali, Intelligence Officer.		

## **BRIEF FACTS OF THE CASE**

A credible information was received that M/S. Rikans International, Lahore have imported a consignment of 06 number Hydraulic Wheel Excavators, Model S180W Brand Doosan with standard accessories and got exemption of duty and taxes under PCT Heading 8429.5900 for the project "Municipal Services Program" in Khyber Pakhtunkhwa (MSP-KP) under the Pakistan Enhancement Partnership Agreement (PEPA) signed between the government of the Islamic Republic of Pakistan and Government of the United States of America on September 30, 2010 vide exemption certificate No.7(52)USA/2013 dated 06.02.2014 issued by Economic Affairs Division (US Section) Government of Pakistan. The complaint further alleged that instead of supplying the said machinery under USAID agreement to Solid Waste Management unit, Peshawar, M/s Rikans International supplied it to Directorate General Procurement (Army), Rawalpindi and evaded duty and taxes in violation of exemption certificate.

2. In the light of received information, relevant import documents were retrieved from Weboc which revealed that M/S. Rikans International, Lahore imported a consignment 06 numbers hydraulic wheel excavators model S180W, Brand Doosan vide GD No. LDRY-HC-856 dated 08.02.2014 under PCT Heading 8429.5900. The Customs Authorities assessed the consignment at the value of Rs. 16,097,178/- and out of charged it accordingly. The detail of the consignment is as under :

Wheel Excavator, Model S180W = 06 No., Serial No. /Engine No. /Pin No.

Serial No.	Engine No.	Pin No.
HEWVO-002975	DB-58TIS319264EG	DHKEWVOKD5002975
HEWVO-002976	DB-58TIS319261EG	DHKEWVOKD5002976
HEWVO-002977	DB-58TIS319263EG	DHKEWVOKD5002977
HEWVO-002978	DB-58TIS319265EG	DHKEWVOKD5002978
HEWVO-002979	DB-58TIS319260EG	DHKEWVOKD5002979
HEWVO-002980	DB-58TIS319262EG	DHKEWVOKD5002980

3. Subsequently, multiple notices under section 26 of the Customs Act, 1969 were issued to M/S Rikans International, 37-P, Defence Housing Authority, Lahore vide C.No.IIB(Enf)Inq/ Rinks.Int/23/2014/3571 dated 10.06.2016 and letter of even No. 3728 dated 22.06.2016, 3852 dated 30.06.2016 and 67 dated 14.07.2016 to supply relevant import documents and details of the machinery supplied to the organizations by them in order to ascertain the end user of the machines. However, they deliberately avoided supplying the requisite information in gross contravention of the provisions of Section 26 of Customs Act, 1969.

4. During the course of investigation, letters were addressed to the Project Director, Project Management Unit, Solid Waste Management, Peshawar to obtain detail information regarding the supplied of imported machinery under the exemption certificates issued to M/S Rikans International, Lahore by Economic Affairs Division, Islamabad. The Project Management Unit has supplied the following information vide letter No. MSP/PMU/Proc./2015-16/300 dated 01.07.2016 as under:-

## (III) Contract Agreement MSP/PMU/SWML/Lot-04 (Wheel Loader).

Description	Specification	Qty	Unit Price F.O.R Peshawar
Wheel Loader	Model: DL200A operating Weight: 11,120 kg. Engine: 162 HP@2,100 RPM Bucket Capacity: 2.0M3 with standard specifications.	01	Rs. 19,476,990/-

## (IV) Contract Agreement MSP/PMU/SWML/Lot-06 (Wheel Excavator).

Description	Specification	Qty	Unit Price F.O.R Peshawar
Wheel Excavator	Model: DX140W operating Weight: 13,750 kg. Engine: 132 HP@2,000 RPM Bucket Capacity: 0.51M3 . Extra Bucket:0.24 M3 as per standard specifications.	01	Rs. 17,597,200/-

5. Simultaneously, letters were issued to General Headquarters (Army), Rawalpindi seeking details of machinery supplied to them by M/s Rikans International who supplied the information vide letter dated 21.07.2016 in reply to this office letter C.No. IIB(Enf)Inq/ Rinks.Inv/23/2014/29 dated 11.07.2016 as under:

Ser	Contract No & Date	Item	Model	Qty	Price per Unit w/o GST (Rs)
a	14-0585-01 dated 28 Jun 2013	Wheel Dozer with Blades	DL200A	05	15,295,622/-
b	14-0586-01 dated 28 Jun 2013	Wheel Excavator	Solar 180WV	13	14,386,272/-

Since the Chassis and Engine numbers were missing in the given information, the General Headquarters (Army), Rawalpindi and PMU GoPK were again requested to supply information regarding Chassis No. and Engine No of the vehicles which were delivered to them by M/S Rikans International, Lahore. They have supplied the information vide letters dated 02.08.2016 and 29.07.2016 respectively. The said information has been co-related to the GDs against which the exemptions were claimed is reproduced as under:

S. No.	GD No.	Description	Qty	Chassis No.	Eng No.	Confirmed by PMU PK
1	LTNB-HC-10268 dated 19.08.2013	Wheel Excavator, Model DX140W	1	DHKCEWAAED 5007828	DB-58TIS315290EJ	CEWAA-007828
						Confirmed by DGP ARMY
2	LDRY-HC-856 dated 06.02.2014	Wheel Excavator, Model S180W	6	DHKEWVOKD 5002975	DB-58TIS319264EG	HEWVO-002975/DB-58TIS319264EG
				DHKEWVOKD 5002976	DB-58TIS319261EG	HEWVO-002976/DB-58TIS319261EG
				DHKEWVOKD 5002977	DB-58TIS319263EG	HEWVO-002977/DB-58TIS319263EG
				DHKEWVOKD 5002978	DB-58TIS319265EG	HEWVO-002978/DB-58TIS319265EG

				DHKEWVOKD 5002979	DB- 58TIS319260EG	HEWVO- 002979/DB- 58TIS319260EG
				DHKEWVOKD 5002980	DB- 58TIS319262EG	HEWVO- 002980/DB- 58TIS319262EG

6. The details of machines i.e. Engine numbers., chassis numbers and model numbers etc. were found the same as of machines imported through the GD in question i.e. LDRY-HC-856 dated 08.02.2014. This clarifies that the allegation of the complainant was correct and the exemption granted to M/s Rikans International, Lahore was actually misused.

7. Moreover, the valuation aspect of the consignment was also considered in light of GD Cash No. 126 dated 13.12.2013, Machine No. 1165 dated 07.11.2013 at or about the same time imported by M/S Rikans International, Lahore assessed @ 3US\$ per kg at LTNB. The GD LDRY-HC-856 dated 08.02.2014 was found to be assessed on much lower side i.e. US\$1.41. As per practice, old and used construction machinery is assessed @ US\$1.4 per kg approximately whereas the subject machinery is new and unused and should have been assessed at a higher value. However, since the Customs authorities have assessed the machinery on the basis of unit value, the importer M/s Rikans International, Lahore in connivance with its clearing agents M/s Mirza Sons Corporation, succeeded in dodging the customs authorities but concealing the actual value and claiming total exemption thus depriving the government exchequer of a huge amount of revenue. The difference between the assessed value and the actual value was, therefore, calculated in light of evidential data of the same importer and of identical machinery i.e. Hydraulic Excavator of Model S180W (Calculation sheet enclosed). A huge amount of duty and taxes were found to be evaded by the importer and clearing agent in league with the customs staff posted at dryport.

8. From the above, it is clear that M/S. Rikans International, Lahore imported 06 wheel excavators Model S180W for the project named "Municipal Services Program" in Khyber Pakhtunkhwa (MSP-KP) [under the Pakistan Enhanced Partnership Agreement (PEPA), signed between the Government of the Islamic Republic of Pakistan and Government of the United States of America on September 30,2010] by availing exemption of duty and taxes under exemption certificate issued by Economic Affairs Division (US Section) Government of Pakistan vide No. 7(52)USA/2013 dated 06.02.2014 against GD No. LDRY-HC-856 dated 08.02.2014 but instead of supplying the said machinery to the project for which it was imported, it was supplied it to another entity i.e General Headquarters (Army), Rawalpindi. Thus, M/S Rikans

International, Lahore has violated the exemption which availed against the imported machinery vide GD No. LDRY-HC-856 dated 08.02.2014 and also got the consignment short assessed by knowingly, intentionally, deliberately in league with their customs

clearing agent and customs staff have caused total evasion of duty and taxes to Rs. 112,58,901/- (CD Rs. 1,709,520/-, ST Rs. 6,102,987/-, Add. S.T Rs. 1,076,998/-, IT Rs. 2,369,395/-) on the said consignment. Thus, the said evaded amount of duty and taxes is recoverable from the said importer, besides penal action as warranted under the provisions of law for the committed offence under Section 26 & 32(1) of the Customs Act, 1969 read with Sections 3, 6, 33 & 34 of the Sales Tax Act, 1990, further read with Section 148 of the Income Tax Ordinance, 2001 punishable under Section 1,12,14 & 90 of Section 156 (I) of the Customs Act, 1969. The contravention report along with relevant documents is submitted for initiation of adjudication proceedings.

**GOVERNMENT OF PAKISTAN  
DIRECTORATE OF INTELLIGENCE & INVESTIGATION-FBR  
358-JAHANZEB BLOCK, ALLAMA IQBAL TOWN, LAHORE.**

C.No.IIB(Enf)Cont./Inq/Rikans.Int/23/2014/432

Dated: 22.08.2016

Copy to:

1. The Director General, Intelligence & Investigation-FBR, Islamabad.
2. The Director, Intelligence & Investigation-FBR, Lahore.
3. The Collector Customs (Adjudication), Custom House, Nabha Road, Lahore for adjudication please.
4. Master file/office copy.

C.No. 4795

Dated: 7-06-2016


The Chief Commissioner (IR),  
Regional Tax Office,  
Lahore.

**Subject: SUSPENSION/BLACKLISTING OF REGISTRATION OF M/S RIKANS INTERNATIONAL, 37-P DEFENCE HOUSING AUTHORITY, LAHORE STRN 0395999988364 UNDER SECTION 21(2) OF THE SALES TAX ACT, 1990 READ WITH RULE 12 OF SALES TAX RULES 2006 READ WITH STGO 35/2012 DATED 30.06.2012.**

Please refer to the subject cited above.

2. During the course of an inquiry against M/s Rikans International, Lahore (NTN 2142609-7, STRN 03-95-9999-883-64), the examination of sales tax record as available on FBR's web-portal has revealed that the said registered person is engaged in import of "Wheel Loader/Excavators". However, the sales tax returns depict that no sales have been declared by the said registered person which is resulting into accumulated carry forward of input tax. A notice under section 37 of the Sales Tax Act, 1990 to the said registered person vide C.No. 3492 dated 06.05.2015 for production of certain requisite information/record was issued which received back undelivered with the remarks "non existence at given address". A physical inquiry of business premises situated at 37-P, DHA, Lahore of the registered person has been conducted which has also revealed that said registered person do not exist at the declared premises.

3. In view of the above, it is therefore requested that the sales tax registration of the above mentioned registered person may be suspended and proceedings of blacklisting of sales tax registration may be initiated in terms of section 21(2) of the Sales Tax Act 1990 read with Rule 12 of Sales Tax Rules 2006 and Sales Tax General Order 35/2012 dated 30-06-2012 under intimation to this office accordingly.

  
(SHAHID UL HASSAN CHATTHA)  
DIRECTOR

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

From : Mr. Sajid Hassan  
Addl. Finance Secretary(Exp)/MD  
Tele: 9201496

Ministry of Finance  
Government of Pakistan

Public Procurement Regulatory Authority

Islamabad the  
P.C. 44000

5-10-2002

D.O.No.F.3(7)/2002/PPRA

Subject:- DECLARATION OF FEES, COMMISSIONS AND BROKERAGE  
ETC., PAYABLE BY THE SUPPLIERS OF GOODS, SERVICES  
AND WORKS

My dear Secretary

I am directed to say that in a meeting of the Economic Coordination Committee of the Cabinet held on 23<sup>rd</sup> September, 2002 the question of adoption of good procurement practices by the public sector agencies was discussed. After due discussion, it was decided that all the public sector agencies, whether attached/subordinate or autonomous working under a Ministry will always demand a certificate, as attached herewith, while procuring goods & services worth Rs 10 million or more. This certificate inter alia, will be checked by the Auditors at the time of audit. This requirement is mandatory and may be complied with in all circumstances.

2. You are requested to convey this decision to all attached Departments, Subordinate Offices, Autonomous/Semi Autonomous Bodies and Corporations etc., working under your Ministry for strict compliance.

With regards,

Yours sincerely,

(Sajid Hassan)

All Secretaries to the Ministries/Divisions.



# Integrity Pact

## DECLARATION OF FEES, COMMISSION AND BROKERAGE ETC. PAYABLE BY THE SUPPLIERS OF GOODS, SERVICES & WORKS IN CONTRACTS WORTH RS.10.00 MILLION OR MORE

Contract Number: \_\_\_\_\_ Dated: \_\_\_\_\_

Contract Value: \_\_\_\_\_

Contract Title: \_\_\_\_\_

\_\_\_\_\_ [name of Supplier] hereby declares that it has not obtained or induced the procurement of any contract, right, interest, privilege or other obligation or benefit from Government of Pakistan or any administrative subdivision or agency thereof or any other entity owned or controlled by it (GoP) through any corrupt business practice.

Without limiting the generality of the foregoing, \_\_\_\_\_ [name of Supplier] represents and warrants that it has fully declared the brokerage, commission, fees etc. paid or payable to anyone and not given or agreed to give and shall not give or agree to give to anyone within or outside Pakistan either directly or indirectly through any natural or juridical person, including its affiliate, agent, associate, broker, consultant, director, promoter, shareholder, sponsor or subsidiary, any commission, gratification, bribe, finder's fee or kickback, whether described as consultation fee or otherwise, with the object of obtaining or inducing the procurement of a contract, right, interest, privilege or other obligation or benefit in whatsoever form from GoP, except that which has been expressly declared pursuant hereto.

\_\_\_\_\_ [name of Supplier] certifies that it has made and will make full disclosure of all agreements and arrangements with all persons in respect of or related to the transaction with GoP and has not taken any action or will not take any action to circumvent the above declaration, representation or warranty.

\_\_\_\_\_ [name of Supplier] accepts full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts or taking any action likely to defeat the purpose of this declaration, representation and warranty. It agrees that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid shall, without prejudice to any other right and remedies available to GoP under any law, contract or other instrument, be voidable at the option of GoP.

Notwithstanding any rights and remedies exercised by GoP in this regard, \_\_\_\_\_ [name of Supplier] agrees to indemnify GoP for any loss or damage incurred by it on account of its corrupt business practices and further pay compensation to GoP in an amount equivalent to ten times the sum of any commission, gratification, bribe, finder's fee or kickback given by \_\_\_\_\_ [name of Supplier] as aforesaid for the purpose of obtaining or inducing the procurement of any contract, right, interest, privilege or other obligation or benefit in whatsoever form from GoP.

\_\_\_\_\_  
[Buyer]

\_\_\_\_\_  
[Seller/Supplier]