

TO BE PUBLISHED IN PART-I OF THE GAZETTE OF PAKISTAN

Government of Pakistan
Ministry of National Food Security and Research

F.NO. 1-11/2012/DFSC-II/Fertilizer

Islamabad the 25th June, 2016

NOTIFICATION

SUBJECT: DISBURSEMENT MECHANISM FOR SUBSIDY ON UREA FERTILIZER

Pursuant to the announcement in the Federal Budget, 2016-17, the Federal Government, after consultation with the provincial governments, has decided that the farmers will be provided urea fertilizer @ Rs. 1400/bag. The estimated annual off-take of Urea is 110 million bags. The reduction in price of urea will be achieved in the following manner:

	Rs/Bag	Impact (Rs. billion)
Present Tag Price/bag	1,790	
Reduction by Manufacturers	50	5.500
Impact of GST reduction from 17% to 5%	184	20.240
Cash Subsidy	156	17.160
Total Reduction	390	42.900
Tag Price after reduction	1,400	

Cash subsidy will also be available to Calcium Ammonium Nitrate (CAN) manufacturers @ Rs.88/- per bag.

Federal-Provincial Subsidy Sharing

- i. The estimated amount of subsidy for urea calculates to Rs. 17.160 billion which will be shared by the Federal Government and the Provincial Governments on 50:50 basis. The provincial contribution based on historical off-take pattern of urea will be as under:

Province	Share (%)	Amount (Rs. billion)
Punjab	73	6.263
Sindh	19	1.630
Khyber Pakhtunkhwa	5	0.429
Balochistan	3	0.257
Total	100	8.58

Special Account Procedure

- i. For the purpose of this scheme, a non-lapsable Special Account titled "Subsidy on Urea Fertilizer" will be opened in the State Bank of Pakistan.
- ii. Initially, the Federal and the Provincial Governments will deposit 50% of their respective shares of subsidy in the Special Account. The remaining 50% share will be deposited after utilization of 80% of the funds initially deposited.
- iii. Alternatively, the Provincial Governments may indicate their consent for at source deduction of their share by the Federal Government. The amount so deducted will be deposited in the Special Account.
- iv. The scheme will remain in force till the amount deposited in the Special Account by the Federal and Provincial Governments is exhausted.

Eligibility Criteria

- i. All manufacturers of urea fertilizer registered with the Federal Board of Revenue under Sales Tax regime will be eligible for receiving cash subsidy under this scheme.
- ii. Manufacturers will pack fertilizers according to the design given by the Government showing clearly retail price and subsidy.

Cash Subsidy Disbursement Mechanism

- i. Cash subsidy will be disbursed @ Rs. 156/50 Kg bag to the manufacturers of urea fertilizer and @ Rs.88/50 Kg bag to CAN manufacturers by SBP.
- ii. Cash subsidy shall be paid after the sale of bagged fertilizer on the basis of Sales Tax Invoice and Sales Tax Returns submitted to FBR by the manufacturers.
- iii. The manufacturers of urea shall provide to FBR invoice wise details of the subsidized fertilizers sold, specifying name of buyers, NTN/ CNIC, description, number of bags sold, and other relevant information as declared in the filed sales tax return. The fertilizer companies shall also forward this information electronically bifurcating the information on provincial basis
- iv. FBR after verifying the records with sales tax return of manufacturers, shall forward claims to the State Bank of Pakistan (SBP) within 15 days under intimation to the Ministry National Food Security & Research.
- v. The manufacturers will submit their subsidy claims on monthly basis.
- vi. The State Bank will ensure payment of due subsidy claim within 07 working days.
- vii. Necessary details comprising names of manufacturers (place of business) quantities, destinations and value etc will be maintained by SBP and reported to Ministry of National Food Security and Research.

Monitoring Mechanism

- i. Ministry of National Food Security and Research will coordinate implementation of the scheme with the assistance of provincial governments.
- ii. Provincial Governments will be responsible for strict monitoring to ensure that the fertilizer is sold on the reduced prices to the farmers by exercising powers under respective provincial laws and the benefit of the subsidy is transferred to the farmers.
- iii. Necessary details comprising names of manufacturers and amounts paid will be maintained by SBP and reported to Ministry of National Food Security and Research, Ministry of Finance and provincial governments.
- iv. The entire process will be monitored through electronic monitoring and data maintained on the respective websites of the provinces with complete inventory of fertilizer.
- v. Fertilizer manufacturers in conjunction with the provincial governments will ensure wider public awareness about the fertilizer prices. They will also launch mega media coverage through print and electronic media for this purpose.
- vi. The manufacturers would immediately cancel dealership of a dealer or sub-dealer found to be overcharging on the recommendations/directions of the provincial governments and shall be liable to fine of 20% of the total sales receipts.

- vii. Respective Provincial Governments will ensure the quality and content of the fertilizer.
- viii. The Federal Government will have the right to conduct a third party audit of payment of subsidies if, so required.

Sd/-
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Printing Corporation of Pakistan Press,
Karachi.

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5. Chairman, Federal Board of Revenue (FBR), Islamabad.
6. Provincial Secretaries for Agriculture.
7. Chief, National Fertilizer Development Centre (NFDC), Islamabad.
8. All Fertilizer Manufacturers.

C.C:

1. Sr. PS to Secretary, M/o NFS&R, Islamabad.
2. PS to Addl. Secretary, M/o NFS&R, Islamabad.