NON-AUDIT DECEMBER 2017

SUGGESTED SOLUTIONS

QUESTION ONE:

1) In relation to the invitation to accept the invitation to act as accounting and taxation advisors,

<table>
<tr><th>a) Ethical and professional issue</th><th>b) Recommended action</th></tr>
<tr><td>1) Diversified operations – Professional Competence threat
Huango Holdings is involved in many different operations. This demands requisite qualifications and experience to be able to provide a professional a service</td><td>According to ZICA ethical guidelines, members should not accept or perform work which they are not competent to undertake and should carry out their professional work with due, skill, care diligence and expedition. Buupe Associates should evaluate their ability to provide the range of services required by Huango Holdings</td></tr>
<tr><td>2) Disagreement on accounting estimates – Errors
Buupe Associates have been requested to undertake a review of financial statements. It is possible that the financial statements may contain errors, especially that that Huango Holdings is dominated by Mr.Chin with little or no segregation of duties</td><td>According to (International Standard on Review Engagements) ISRE 2400 - Engagements to Review Financial Statements
Buupe Associates are required to undertake the following procedures
Understand the entity
Assess risk of material misstatement – especially with expected errors
Select appropriate enquiry and analytical procedures</td></tr>
<tr><td>3) Investigation by Anti-corruption commission – Integrity
This investigation brings into question the integrity of the management of Huango Holdings</td><td>According to ZICA ethical guidelines, members are required to assess the integrity of prospective clients before accepting them as clients. Buupe should carefully consider whether they should accept such a client who is associated with negative publicity</td></tr>
<tr><td>4) Investigation by Anti- corruption commission – Money laundering/reporting – confidentiality threat
Buupe Associates may be required to report this matter to the Drug Enforcement Commission</td><td>According to ZICA ethical guidelines, members should respect confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper or specific authority or unless there is a legal or professional right or duty to disclose. Buupe Associates are advised to seek legal advice in order to carefully evaluate their reporting responsibilities in this regard</td></tr>
<tr><td>5) Preparation of cash flow and profit forecast – professional liability / advocacy threat</td><td>Buupe Associates are advised to make sure that there is clear understanding of their responsibility with regard to the</td></tr>
</table>

The request to prepare cash flow forecasts and profit forecasts knowing that they will be used as a basis of providing a loan exposes Buupe Associates to possible professional liability	forecasts. Buupe Associates may also consider making a disclaimer in their report to the effect that the forecasts is for the use of Huango Holdings only.
6) Approaching another firm - Intimidation threat Mr. Chin has hinted that if the manager does not accompany him to the meeting, he would consider approaching another professional firm. This constitutes an intimidation threat	According to ZICA guidelines, members must resign or decline engagement where there is intimidation from the client. Accordingly, Buupe associates is advised to discuss the implication of this intimidation and not accept the engagement if Mr Chin insists on this threat

2) Matters that should be considered in undertaking to report on the cashflow and profit forecasts

According to International Standard on Assurance Engagements (ISAE) 3400, the following matters should be considered in undertaking to report on the forecasts

- **The intended use of the information;** - External use by third parties makes the assignment riskier. In the case of Hungo Holdings, the forecasts will be used as a basis of providing a loan. Buupe Associates will need to determine whether Hungo Holdings intends to use the forecasts for other purposes

- **Whether the information will be for general or limited distribution**; - General purpose information poses a higher risk. Buupe will need to establish whether the forecasts will be distributed to other users other than the bank.

- **The nature of the assumptions, that is, whether they are best-estimate or hypothetical assumptions;** - Best estimates could be subjected to reasonable validation whereas hypothetical assumptions are much more difficult to validate. Buupe Associates will need to recognise that assumptions related to more complex businesses such as construction will be more difficult to assess for reasonableness

- **The elements to be included in the information; -** Complex elements and elements over which the accountant has little knowledge and understanding pose a higher risk. Although the formats and contents of the forecasts will be done in accordance with applicable accounting standards, Buupe will need to determine the relative complexity of the various items to be included given the diversity of Huango holdings.

- **The period covered by the information.** – Short term forecasts and projections are likely to be more easily verifiable. Longer term projections present challenges especially in very dynamic environments. Buupe Associates will need to determine the period to be covered by the forecasts

3) Financial Reporting Framework

a) Application of the Financial Reporting Framework

In 2010, the Zambia Institute of Chartered Accountants (ZICA) adopted the use of the Three Tier Financial Reporting Framework for entities in Zambia. Under the three Tier Financial Reporting Framework entities have been grouped into three categories and are required to apply the reporting frameworks as follows:

No	Type of entity	Applicable Financial Reporting Framework
1.	Listed Companies and Public Interest Entities	Full International Financial Reporting Standards (IFRS)
2.	Economically Significant Companies – Companies that are not public interest entities or quoted on the stock exchange but with turnover of K20 million and above	IFRS for Small and Medium Entities (SMEs) or Full IFRS if the Company opts to use it
3.	Micro and Small Entities – entities with Turnover of less than K20 million	Zambian Financial Reporting Standard for Micro and Small Enterprises (MSEs)

b) Financial Reporting Framework applicable to Huango Holdings

As Huango Holdings achieves an annual turnover of K75 million which is in excess of K20 million, it can adopt either IFRS for Small and Medium Entities (SMEs) or Full IFRS if the Company opts to use it

4) Application of full IFRS

a) Revenue – accounting treatment up to 4th April 2017

Huango Holdings accounts for the promised bundle of goods and services as a single performance obligation satisfied over time in accordance with IFRS 15. At the inception of the contract, Huango Holdings expects the following: Transaction price K1,500,000 Expected costs K800,000 Expected profit (46·7%) K700,000 At contract inception, Huango Holdings excludes the K100,000 bonus from the transaction price because it cannot conclude that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Completion of the printing machine is highly susceptible to factors outside the entity's influence. By the end of the first year, the entity has satisfied 65% of its performance obligation on the basis of costs incurred to date. Costs incurred to date are therefore K520,000 and Huango Holdings reassesses the variable consideration and concludes that the amount is still constrained.

Therefore at 31st March 2017, the following would be recognised:

Revenue K975,000
Costs K520,000
Gross profit K455,000

However, on 4 April 2017, the contract is modified. As a result, the fixed consideration and expected costs increase by K110,000 and K60,000, respectively. The total potential consideration after the modification is K1,710,000 which is K1,610,000 fixed consideration + K100,000 completion bonus. In addition, the allowable time for achieving the bonus is extended by six months with the result that Huango Holdings concludes that it is highly probable that including the bonus in the transaction price will not result in a significant reversal in the amount of cumulative revenue recognised in accordance with IFRS 15. Therefore the bonus of K100,000 can be included in the transaction price. Huango Holdings also concludes that the contract remains a single performance obligation. Thus,Huango Holdings accounts for the contract modification as if it were part of the original contract.

Therefore, Huango Holdings updates its estimates of costs and revenue as follows:
Huango Holdings has satisfied 60·5% of its performance obligation (K520,000 actual costs incurred compared to K860,000 total expected costs). The entity recognises additional revenue of K59,550 [(60·5% of K1,710,000) – K975,000 revenue recognised to date] at the date of the modification as a cumulative catch-up adjustment. As the contract amendment took place after the year end, the additional revenue would not be treated as an adjusting event.

b) Environmental provision – accounting treatment for the year ended 31 March 2017

A provision shall be recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the above conditions are not met, no provision shall be recognised. In this case, the obligating event is the contamination of the land because of the virtual certainty of legislation requiring the clean up.

Additionally, there is probably going to be an outflow of resources embodying economic benefits, because Huango Holdings has no recourse against the entity or its insurance company. Therefore a provision is recognised for the best estimate of the costs of the clean up. As Huango Holdings has no recourse against Chemco, recovery of the costs of clean up is not likely and hence no corresponding receivable should be recorded.

c) Investment properties – accounting treatment for the year ended 31 March 2017

IAS 40 Investment Property sets out the accounting treatment for investment property and the related disclosure requirements. It deals with the recognition, measurement and disclosure of investment property. The scope includes property held for capital appreciation or to earn rentals. Investment property is defined as property held by the owner or held on a finance lease to earn rentals or for capital appreciation or both, rather than for:

- use in producing or supplying goods or services or for administrative purposes; or
- sale in the ordinary course of business.

The definition excludes owner-occupied property, property intended for sale in the ordinary course of business, property being constructed on behalf of third parties and property that is leased to a third party under a finance lease. Where the fair value model under IAS 40 is applied, such a property is measured at fair value.

Where an entity provides ancillary services to occupants of a property owned by the entity, the property is an investment property if such ancillary services are a relatively insignificant portion of the arrangement as a whole. Where, however, such services are a more significant portion, such as in a hotel, the property is treated not as investment property, but as an owner-occupied property. Investment property should be recognised as an asset when it is probable that the future economic benefits associated with the property will flow to the entity and the cost of the property can be reliably measured.

Thus, the land that is owned by Huango Holdings for capital appreciation which may be sold at any time in the future and the land that has no current purpose are both considered to be investment property under IAS 40. If the land has no current purpose, it is considered to be held for capital appreciation.

Huango Holdings supplements its income by buying and selling property, and the housing department regularly sells part of its housing inventory. As these sales are in the ordinary course of its operations and are routinely occurring, then the housing stock held for sale will be classified as inventor and accounted as per IAS 2.. The part of the inventory held to provide housing to low-income employees at below market rental will not be treated as investment property as the property is not held for capital appreciation and the income just covers the cost of maintaining the properties and thus is not for profit. The property is held to provide housing services rather than rentals. The rental revenue is incidental to the purposes for which the property is held. This property will be accounted for under IAS 16 Property, Plant and Equipment. The property is treated as owner occupied as set out above.

d) **Biological assets – accounting treatment for the year ended 31 March 2017**

According to IAS 41, *Agriculture*, biological assets should initially be recognised at fair value less point of sale costs. Where fair values are not available, historical cost should be used

Cows are biological assets and should be initially recognised at fair value less point of sale costs.

The cows purchased in the year should be initially recognised at K117,600 (K20 x 6,000) * 98%. This will give rise to an immediate loss of K2,400 (20 x K6,000) - K117,600 in the statement of profit and loss

According to IAS 41, biological assets should subsequently be measured at fair value less point of sale costs. Any profit or loss should be recognised in the profit and loss

At the year end, the whole herd should be re-valued to fair value less costs to sell. Any gain or loss will be recognised in the statement of profit or loss

The herd of cows will be held at K1,058,400 ((120 * K9,000)) * 98% on the statement of financial position

This will give rise to a further loss of K59,200 (W1) in the statement of profit or loss

(W1) Loss on revaluation

	K
Value at 1 January 20X1	1,000,000
New purchases	117,600
Loss (bal. Fig)	(59,200)
Value at 31 December 20X1	1,058,400

5) **In respect of the rental agreements**
   a) **Evaluation of the obligations of the tenants**

Registration and submission of tax returns
According to the Zambia Revenue Authority's (ZRA) Withholding Tax System, a Tenant must:
- Register for withholding tax and obtain a Taxpayer Identification Number;
- Submit, to the Commissioner-General, a withholding tax return within 14 days following the month of payment of the rentals.

There is no requirement for a tax return to be submitted to the landlord as required by Huango Holdings

Deduction and payment of withholding tax
According to the Zambia Revenue Authority's (ZRA) Withholding Tax System, a Tenant must:
- Deduct and pay the withholding tax amount within 14 days following the month of deduction.

The basis of deducting withholding is per the ZRA guidelines and not on instruction from Huango Holdings.

In addition, the payment is within 14 days following the mong of deduction and not end of the month following the month of payment of rentals. The deduction and payment of withholding tax has nothing to do with the financial position of the tenant

Receipt and certificate

According to the Zambia Revenue Authority's (ZRA) Withholding Tax System, a Tenant must:

- Give a copy of the receipt in respect of the payment and certificate of deduction to the landlord within 14 days of making the payment.

It is not enough that the receipts and certificate of deduction is kept securely

b) **Evaluation of the obligations of the Huango Holdings**

Registration and Tax Identification Number (TPIN)
According to the Zambia Revenue Authority's (ZRA) Withholding Tax System, a Tenant must:

- Register for income tax and obtain a Taxpayer Identification Number (TPIN);
- Provide their TPIN to the tenant;

It is not the responsibility of Huango Holdings to register Tenants with ZRA and the registration does not act as automatic registration for Huango Holdings

Submission of tax returns
According to the Zambia Revenue Authority's (ZRA) Withholding Tax System, a Landlord must:

- Submit a provisional tax return;
- Submit annual income tax returns making full declaration of the rental income and other income received during the year.

Individual returns are required from Huango Holdings whether property expenses exceed the net rental income receivable

6) Amount of VAT payable or repayable for the month of March 2017 .

MUNGWE FARMS COMPUTATION OF VAT PAYABLE FOR THE MONTH OF MARCH 2017

	K	K
OUTPUT VAT		
Sales (K149,925- K14,992 - K18,750) x 16%		18,589
INPUT VAT		
Purchases (K94,200 - K22,500 - K14,340) x16%	9,178	
Bad debts (K4,875 x 16%)	780	
General overheads (K15,900 x 16%) x 90%	2,290	
Operating expenses - petrol (K8,475x 4/29)	234	
		(12,482)
VAT payable		6,107

SUGGESTED SOLUTIONS - QUESTION TWO

1) In relation to the invitation to take part in the fraud investigation

a) Ethical and professional issue	b) Action to take
1) Professional competence and due care Forensic investigations are specialist assignments and may require very specific skills, which will not be possessed by individuals unless they have undergone specific training. HLP Accountants must consider whether there are any members of the firm who possess the necessary skills before accepting the assignment.	It is likely that relatively senior staff will need to be assigned to the investigation, which will bring necessary authority and experience to the investigation team. It should be considered whether HLP Accountants is able to divert senior staff from other assignments at short notice. Resourcing the team could be a problem.
2) Advocacy threat Litigation support services may include activities such as acting as an expert witness, calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute, and assistance with document management and retrieval.	HLP Accountants should review the advocacy threat involved and the possible professional liability that might ensue. If the threat is considered too high, HLP should not accept to take part in the investigation
3) Confidentiality In addition, confidentiality is a crucial issue in such investigations as members of the investigation team will have access to sensitive information which will be used as evidence in court. Any breach of confidentiality could jeopardise the integrity of the legal proceedings against the fraudsters.	Anyone involved with the investigation must be made aware of these issues and confidentiality agreements should be signed.

c) This is an example of an agreed upon procedures engagement. According to International Standard on Related Services 4400 – Engagements to perform agreed-upon procedures regarding financial information, matters that should be discussed in the meeting with Jack Phiri in respect of planning the investigation into the alleged fraudulent activity include:

- Discuss the purpose, nature and scope of the investigation. In particular, confirm whether evidence gathered will be used in criminal proceedings and in support of an insurance claim. Confirm that Mico Insurance's objectives are to identify those involved with the fraud, and to quantify the amount of the fraud. This will help to clarify the terms of the engagement, which will be detailed in an engagement letter.
- Determine the time-scale involved, whether Jack Phiri needs the investigation to commence as soon as possible and the deadline for completing the investigation. This is necessary to determine the resources needed to perform the investigation, and whether resources need to be diverted from other assignments.
- Enquire as to how many sales representatives have been suspended (i.e. are suspected of involvement in the fraud). This will help the firm to determine the potential scale of the investigation.
- Gain an understanding as to how the fraud came to light (e.g. was it uncovered by internal audit or a member of the sales department) and who reported their suspicions to Jack Phiri. This information will indicate how the investigation should commence (e.g. by interviewing the whistle-blower).
- Determine whether Mico Insurance will provide resources to help with the investigation, e.g. members of the internal audit team could provide assistance in obtaining evidence.

- Ask for Jack Phiri's opinion as to why the fraud had not been prevented or detected by the company's internal controls. In particular, enquire if there has been a breakdown in controls over authorisation of expenses.
- Determine whether recommendations to improve controls are required as an output of the investigative work.
- Discuss the investigative techniques which may be used (e.g. interviewing the alleged fraudsters, detailed review of all expense claims made by sales representatives, analytical review of expenses) and ensure that investigators will have unrestricted access to individuals and documentation.
- Enquire as to whether the police have been informed, and if so, the name and contact details of the person informed. It is likely that a criminal investigation by the police will take place as well as HLP Accountants' own investigation.
- Confirm that Mico Insurance grants permission to HLP Accountants' investigation team to communicate with third parties such as the police and the company's lawyers regarding the investigation.

2) Review of historical financial statements

a) Difference between an assurance engagement and an engagement to review financial statements

An assurance engagement is one in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria. An example of an assurance engagement is an audit

According to International Standard on Review Engagements (ISRE) 2400, *Engagement to Review Financial Statements*, the objective of a review of financial statements is to enable the practitioner to state, whether, on the basis of procedures that do not provide all the evidence that would be required in an audit, anything has come to the practitioner's attention that causes the practitioner to believe that the financial statements are not prepared, in all material respects, in accordance with an identified financial reporting framework. An example of such an engagement is the review of interim financial statements

According to International Standard on Related Services (ISRS) 4400 *Engagement to Perform Agreed Upon Procedures*, agreed upon procedures require the accountant to report on factual findings and hence no assurance is expressed. An example of such an engagement is a forensic audit

b) According to the International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Statements*, matters to be considered for the review engagement include

- **Knowledge acquired previously about the client**
  HLP Accountants have been associated with Gazi in the past and can take advantage of this cumulative knowledge in undertaking the review

- **The nature of the accounting systems**
  Gazi has implemented the PASTEL accounting system and has proved adequate in the past. However, with the recent attack, a review may need to consider the policies and procedures around disaster recovery

- **The extent to which items are affected by management judgement**
  Both land and buildings and plant are carried at valuation. More reviews will need to be undertaken as the process of determining values often requires the exercise of judgement

- **The materiality of transactions and balances**
  An increase of 40% in revenues would suggest that the materiality of the underlying transactions and balances has relatively increased.

c) Procedures to carry out on the elements for the statement of financial position as at 1st April 2016:

(i) **Land and buildings**

- Review the policy regarding fair valuation and confirm it has been consistently applied
- Enquiries regarding the valuation of non-current assets during the year
- Agree details to revaluation reports
- Review and re-compute the resulting depreciation
- Review the determination and accounting for resulting surplus in accordance with IAS 6, Property, Plant and Equipment

(ii) **Inventories**

- Computation of inventory days and comparison with previous years.
- Computation of inventory turnover and comparison with previous years
- Enquire of management regarding any unusual or unexplained movements

(iii)**Trade receivables**

- Computation of receivable days and comparison with previous years.
- It should be expected that with the 40% increase in revenues, the level of trade receivables may increase accordingly
- Enquire of management regarding any unusual or unexplained movements

(iv)Trade payables

- Computation of payable days and comparison with previous years.
- It should be expected that the level of payables should be relatively lower given the requirement for Gazi to most of its supplies in cash
- Enquire of management regarding any unusual or unexplained movements

3) Gazi

a) Disaster recovery policies and procedures

Gazi should institute continuity planning and disaster recovery policies and procedures. Continuity planning constitutes the plans and processes an organization should follow in the event of its business operations being disrupted. Disaster recovery is devoted to ensuring the continuation of an organisation's IT systems in the event of some form of disaster, such as the virus attack

Continuity planning should be realistic and easy to follow and should include:

- Risk assessment and monitoring to identify potential threats
- The creation and validation of a practiced logistical plan – like a fire drill?

Disaster Recovery plan should provide for:

- Standby procedures so that some operations can be performed while normal services are disrupted
- Recovery procedures once the cause of the breakdown has been discovered or corrected – such as hardware duplication
- Personal management policies to ensure that stand by and recovery procedures are implemented properly

b) **Investment in government treasury bills**

According to IAS 7, Cashflow statements, cash comprises cash on hand and demand deposits with banks. Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant amount of risk of changes in value.

It is unlikely that the investment in treasury bills can be allowed to be terminated before maturity without a significant amount of risk of loss. Accordingly, it should not be included as part of cash and cash equivalents.

c) **Reconstruction of specific balances as at 31st March 2017**

i) The net carrying value for Land and Buildings

Land and Buildings

Bal b/d	44,200	Depreciation	1,800
Purchased	7,100		
Revaluation reserve	6,000	**Bal c/d**	**55,500**
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	57,300		57,300

ii) The net carrying value for plant and equipment

Plant

Balance b/d	47,500	Disposal	12,000
Purchased	38,100	Depreciation	26,600
		Bal c/d	**47,000**

--------- 85,600	--------- 85,600

iii) The closing value of share capital

Share capital

Balance c/d -	**50,000**	Balance b/d	25,000	
		Share premium	2,500	(bonus issue)
		Proceeds	22,500	
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	50,000		50,000	

iv) The closing carrying value of share premium

Share premium

Share capital	2,500	Bal b/d	5,000	
Bal c/d	**8,000**	Proceeds	5,500	(Proceeds 28,000 - 22,500)
	-------		--------	
	10,500		10,500	

v) The closing carrying value of revaluation reserves

Revaluation reserve

Bal c/d	**18,000**	Bal b/d	12,000
		Land and buildings	6,000
	---------		---------
	18,000		18,000

vi) The closing value of investments at cost

Investment at cost

Bal b/d	16,900	Disposal	8,700
		Bal c/d	**8,200**
	--------		--------
	16,900		16,900

4) **In relation to the requests from Mr. Njovu**

a) **Income Tax payable by Elephant Njovu for the tax year 2016.**

ELEPHANT NJOVU PERSONAL INCOME TAX COMPUTATION FOR THE TAX YEAR 2016

Earned Income	K	K
Salary (K264,000 x 8/12)		176,000
Education allowance		16,000
Fuel allowance (K1,200 x 8)		9,600
Housing allowance (K3,500 x 8)		28,000
Medical allowance K6,000 x 8/12)		4,000
Long service award		3,000
Bonus		9,000

		245,600
Investment Income		
Royalties (K25,500 x 100/85)		30,000

		275,600
LESS: Allowable deductions		
NAPSA restricted	3,060	
Donation to charity	1,080	
Subscriptions to directors	3,400	
		(7,540)

		268,060
Less: Tax free pay		(36,000)

Taxable income		232,060

Income tax		
Next 9600 x 25%		2,400
Next 25200 x 30%		7,560
Excess 193260 x35%		69,041

Total tax liability		79,001
Less tax at source PAYE		(35,000)
WHT royalties		(4,500)

Initial income tax payable		39,501
Add tax on lump sum payments		
Repatriation pay	45,000	
Severance pay	30,000	

	75,000	
Less exempt	(35,000)	

	40,000	
	======	
Tax at 10%		4,000

FINAL INCOME TAX PAYABLE		**43,501**
		=======

b) Tax incentives which will be available to the proposed businesses

i) Agriculture

Tax incentives available to the agriculture business will include

- A farm work allowance at the rate of 100% is available on expenditure qualifying as farm works
- A farm improvement allowance at the rate of 100% is available on expenditure qualifying as farm improvements and an allowance of up to K20,000 for farm dwellings.
- A development allowance at the rate of 10% is available in the year that a business develops a qualifying plantation.
- Accelerated wear and tear allowance at the rate of 50% is available on implements used directly in farming
- The company income tax rate on farming profit is 10% for companies engaged in farming as opposed to the 35% which apply to other companies.
- Farming enterprises are allowed to make an election to have farming and fishing income for a period of two consecutive years averaged.
- Guaranteed input tax claim for four years prior to commencement of production for taxable agricultural businesses (8) Zero rating agricultural products and supplies when exported
- VAT deferment on importation some agricultural equipment and machinery (10) Dividends paid out of farming profit are exempt from tax for the first five years the distributing company commences farming
- No Import Duty on irrigation equipment and reduced Duty Rates on imports of other farming equipment
- Reduced Customs Duty at 5% on pre – mixes, being vitamin additives for animal feed.
- Standard costing is allowed for valuation of inventories, born, bred or grown at the farm.

ii) Manufacturing

Tax incentives available to the Manufacturing business will include

- Refund of Zambian VAT on export of Zambian products by non – resident businesses under the Commercial Exporters Scheme.

- Guaranteed input tax claim for two years prior to commencement of production.
- Income from chemical manufacturing of fertilizers is taxed at a reduced rate of 15%.
- Capital allowances on industrial buildings used for the purposes of manufacturing shall be entitled to a deduction of 10% in case of low cost housing and 5% for other industrial buildings.
- Persons who incur capital expenditure on an industrial building are entitled to claim a deduction called Initial Allowance at 10% of the cost incurred in the charge year in which the industrial building is first brought into use.
- Any person who incurs capital expenditure on an industrial building is entitled to an investment allowance at 10% of such an expenditure in the first year that the building is used for manufacturing purposes.
- Import Duty on PVC lining and eyelets used in the manufacture of shoes has been reduced to 5%.
- Import Duty on semi refined wax and cerechlor used in the manufacture of paint, and on tapioca starch with dextrose powder which is used in the manufacture of biscuits has been reduced to 15%.
- Suspension of Import Duty on machinery, equipment and capital goods for assembling of motor vehicles, trailers, motorcycles and import of bicycles
- Duty on various textile machinery has been reduced to 0% and all woven fabrics of polyester imported for further processing, all imported sewing threads and gray fabrics has duty reduced to 0%.
- Reduced Import Duty t0 5% on the following inputs used in manufacturing:
    - Crude Coconut(copra) oil
    - Plates Sheets, film, foil and strip of unsaturated polyesters