

GOVERNMENT OF PAKISTAN  
FEDERAL BOARD OF REVENUE  
[Inland Revenue Wing]

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C. No. 3(11)ST-L&P/2009

Islamabad, the 16<sup>th</sup> April, 2009.

**FEDERAL EXCISE CIRCULAR NO. 01/2009**

SUBJECT: **SCOPE AND CHARGEABILITY OF EXCISE DUTY ON FRANCHISE SERVICES.**

I am directed to refer to the subject cited above and to say that an issue has been raised in the Board regarding scope of “franchise” services and and chargeability of Federal Excise Duty thereon.

2. The matter has been examined in the Board at length and it is to clarify that “franchise” has peculiar meaning under the Federal Excise Act 2005. It has been defined as follows:

“**franchise**” means an authority given by a franchiser under which the franchisee is contractually or otherwise granted any right to produce, manufacture, sell or trade in or do any other business activity in respect of goods or to provide service or to undertake any process identified with franchiser against a fee or consideration including royalty or technical fee, whether or not a trade mark, service mark, trade name, logo, brand name or any such representation or symbol, as the case may be, is involved;”

3. It is evident from the above definition that “franchise” under Federal Excise Act 2005 has a wider connotation than the dictionary meaning. The following parameters have been incorporated in its ambit:

- i) Franchise as aforesaid stipulates an authority given by franchiser under which franchisee is granted by contract or otherwise right to:
  - a) manufacture;
  - b) produce;
  - c) trade;
  - d) sell; or
  - e) to do any other business activity
- ii) The undertaking between the franchiser and the franchisee entails consideration from the latter to the former like fee or royalty or technical fee..
- iii) It is immaterial whether or not the following privileges/rights are used:
  - a) Trade mark
  - b) Brand or
  - c) Service
  - d) Trade name
  - e) Logo
  - f) Symbol or
  - g) any other representation

4. It is advised that enforcement of Excise duty on franchise services as explained above be properly effected in terms of section 3 of the Federal Excise Act, 2005 read with S.No.11 of Table 2 of the First Schedule thereto.

5. Director Generals are also requested to ensure monitoring of the matter by the Collectors for optimal realization of Federal Excise Duty on franchise services, especially from the areas hitherto not attended properly, and keep the Board posted of the progress on monthly basis.

6. This circular shall supersede Board's letter C. No. 3(11)ST-L&P/09 dated 5-3-2009

(Muhammad Sadiq)

Secretary (ST&FE-L&P)

Copy to :

1. All Director Generals.  
RTOs/LTUs.
2. All Collectors of ST & FE.

(Muhammad Sadiq)

Secretary (ST&FE-L&P)