

**GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
FEDERAL BOARD OF REVENUE**

Islamabad, the 29th March, 2008

**NOTIFICATION
(CUSTOMS/SALES TAX/FEDERAL EXCISE⁷[/INCOME TAX])**

S.R.O. 327(I)/2008.- In exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), Section 50 of the Sales Tax Act, 1990, ⁷[omitted] section 40 of the Federal Excise Act, 2005, ⁷[section 148 of the Income Tax Ordinance, 2001 (XLIX of 2001),] the Federal Board of Revenue is pleased to make the following rules, namely:-

**THE EXPORT ORIENTED UNITS AND SMALL
AND MEDIUM ENTERPRISES RULES, 2008**

1. Short title, application and commencement - (1) These rules shall be called the Export Oriented Units and Small and Medium Enterprises Rules, 2008.

(2) These rules may be applicable only to the units licensed as export oriented units which are registered as manufacturers-cum-exporters under the Sales Tax Act, 1990, and the rules made thereunder,

(3) These rules shall come into force at once.

2. Definitions- (1) In these rules, unless there is anything repugnant in the subject or context,-

(a) "Acts" means the Customs Act, 1969 (IV of 1969), the Sales Tax Act, 1990 and the Federal Excise Act, 2005;

(b) "analysis certificate" means a certificate issued by the Collector of Customs under rule 9;

(c) ⁶["Collector", in relation to an export oriented unit, means the Collector of Customs in whose jurisdiction the place of business or manufacturing unit of the EOU applicant, duly registered under the Sales Tax Act, 1990, is located];

- (d) "export oriented unit" includes a small and medium enterprise and means a manufacturer having in-house manufacturing facility located in the tariff area of Pakistan and licensed as such by the Collector under rule 3, and exporting -
- (i) At least 80% of its production to other countries ⁵[, inclusive of upto 20% supplies for exports against securities to the satisfaction of Collector concerned or upto 20% supplies for local consumption on payment of leviable duties and taxes], if established before 1st July, 2007; ¹[omitted]
 - (ii) 100% of its production to other countries ⁵[, inclusive of upto 20% supplies for exports against securities to the satisfaction of Collector concerned or upto 20% supplies for local consumption on payment of leviable duties and taxes,] if established on or after 1st July, 2007, and licensed by the Collector of Customs under rule 3; ¹[or
 - (iii) 50% of its production as an engineering unit (as certified by the Engineering Development Board) to other countries for the first three years and after that 80% of its production to other countries.]
- (e) "import" in relation to an export oriented unit means import from abroad and includes goods introduced into an export oriented unit from the tariff area;
- (f) "input goods" means all goods ^{3,4} [] whether imported or procured locally by an Export Oriented Unit from the tariff area such as raw materials, accessories, sub-components, components, assemblies, sub-assemblies used in the manufacture of out put goods as approved by the Collector in the analysis certificate;
- (g) "licensee" means any person or firm to whom license is granted under rule 3;
- (h) "manufacture" means any process incidental or ancillary to the completion of output goods manufactured under these rules;
- (i) "manufacturer" means any person engaged in the process of manufacture and duly authorized to do so under these rules;
- (j) "output goods" means any goods manufactured under these rules for export to any destination outside Pakistan;
- (k) "tariff area" means any area in Pakistan outside the limits of an export oriented unit; and

(1) "vendor" means a person to whom input goods are provided by the Export Oriented Unit for partial manufacturing or further processing towards the manufacture of output goods.

(2) All other words and expressions used, but not defined herein, shall have the same meanings as are assigned to them in the Acts.

3. Licensing.- (1) Any person or firm desirous of establishing or operating an export oriented unit shall apply to the Collector ²[of Customs having jurisdiction in which the unit is registered under the Sales Tax Act, 1990, and in case there are more than one unit of a proprietor, he shall apply to the Collector of Customs where the head office of applicant is registered under the Sales Tax Act, 1990] in the form set out in *Appendix-I*, along with the following documents, namely:-

- (a) The site plan of the proposed export oriented unit indicating the location of the premises and the details of the total area, covered area and manufacturing area and separate storage areas for manufactured goods, factory rejects and wastages;
- (b) National Tax Number certificate;
- (c) banker's certificate, directly forwarded by the bank to the Collector in a sealed envelope, regarding financial transactions of the applicant during the last two years;
- (d) Memorandum and Articles of Association in the case where the applicant is registered under the Companies Ordinance, 1984 (XLVII of 1984), or partnership deed if it is a partnership firm;
- (e) Copy of the national identity card of owner and directors of the company;
- (f) general bond ²[equal to the amount of duty and taxes] in the form set out in *Appendix-II*;
- (g) Lease or tenancy agreement with the written permission from the landlord to use the premises as an export oriented unit for a period of at least two years;
- (h) Certificate from supplier of fire fighting equipment installed in the premises regarding its validity date;
- (i) Comprehensive insurance policy covering all risks such as fire, burglary, riots, strikes, malicious damage and allied perils, issued by an insurance company having paid up capital not less than Rs.120 million, registered with

the Controller of Insurance, Ministry of Commerce, in the sum equal to the maximum face value of proposed license, covering the total amount of the customs-duties, federal excise duty, sales tax and any other tax leviable on the imported goods or locally procured goods, in an export oriented unit;

- (j) An undertaking by an insurance company duly approved by the Controller of Insurance, Ministry of Commerce, on the stamp paper undertaking that-
 - (i) Full premium under the aforesaid insurance policy has been duly received;
 - (ii) In case the licensee does not make the required stock declaration in time, the company shall immediately inform the Collector; and
 - (iii) Breach of warranty by the licensee or non-compliance or omission of any nature by the licensee shall not prejudice any claim lodged by the Collector;
- (k) recommendations of the relevant representative trade association, or Chamber of Commerce and Industry, or Trade Development Authority of Pakistan; and
- (l) details of the type of machinery installed.

(2) On receipt of an application along with the documents prescribed in sub-rule(1), the Collector after such verification as he deems necessary, may issue a license within seven days of such verification, to the applicant to operate an export oriented unit.

(3) The verification under sub-rule (2) shall be carried out within seven working days of the receipt of complete application along with all required documents except where the applicant is himself responsible for the delay.

4. Cancellation of license.- The license may be cancelled by the Collector on conviction of the licensee for any offence under any of the Acts or non-utilization of the license during the last twelve months or for violation of any of the conditions specified in the license or on the request, in writing, by the licensee.

5. Suspension of license.- (1) Pending consideration whether or not a license be cancelled under rule 4, the Collector may suspend the license if he is of the opinion that it is expedient to do so and the reasons thereof shall be recorded in writing by him.

(2) In a case referred to in sub-rule (1), the reasons to show cause shall be communicated to the licensee within seven days of such suspension.

6. Revalidation or revival of license.- The license shall be issued for a period of two years and the same shall stand revalidated for a further period up to two years by the Collector on the request of the licensee provided the Collector is satisfied that no action under the Acts is pending against the licensee and the licensee has duly submitted a revalidated insurance policy for a further period of two years and the changes, if any, in the documents furnished under rule 3.

7. Transfer of ownership or title.- The licensee shall not be allowed to transfer the ownership or title of an export oriented unit unless all outstanding customs-duty, federal excise duty, sales tax and other taxes are paid and all other liabilities are discharged.

8. Premises of the export oriented unit.- (1) The licensee shall either own the premises of the export oriented unit (hereinafter referred to as “premises”) or have a lease thereof in his name for the period for which the license is sought to be issued, subject to the minimum period prescribed under clause (g) of sub-rule (1) of rule 3.

(2) The premises shall be used only and exclusively for the Export Oriented Unit²[The unit shall be allowed to avail license either under Chapter XV of the Customs Rules, 2001 or these Rules at one time].

(3) The premises shall have clearly earmarked area for storage of imported goods.

(4) The manufacturing area and separate stores for imported and locally procured input goods as well as finished goods, rejects and waste, shall be clearly earmarked in the premises.

(5) The premises shall be located on an independent area having an independent entry or exit from a public area, having no other entry or exit and independent of such premises which are not covered under these rules:

Provided that in exceptional circumstances, to be explained by the licensee, in writing, the Collector may approve the premises otherwise with or without any conditions or restrictions as he may deem fit to impose.

9. Analysis certificate for goods to be manufactured in an export oriented unit.-

(1) The licensee shall apply to the Collector, within seven days of import of input goods, for issuance of any analysis certificate as set out in *Appendix-III* showing the input and output ratio of input goods viz-a-viz output goods along with wastages.

(2) The Collector or the officer authorized by him in this behalf, shall after such verification as he deems necessary, or after getting inputs from the input output co-efficient organization (IOCO), or as the case may be, the Engineering Development Board (EDB), in this regard, issue an analysis certificate within thirty days of receipt of such application, showing the actual quantity of input goods used and wastage occurred in the manufacture of one unit of output goods.

(3) One copy of the Analysis Certificate shall be given to the licensee and one copy shall be retained in the Collectorate.

(4) Analysis certificate shall not be required for every consignment or input goods if input goods and output goods are the same for which analysis certificate has already been issued. However, a separate analysis certificate shall be applied for and issued where there is a change of output goods or their input goods.

10. Procurement, manufacture, export and removal of goods by a licensee of an Export Oriented Unit.- (1) The input goods for production of output goods according to the specification approved in the analysis certificate shall be procured by the licensee in any of the following manners, namely:-

- (a) the input goods may be imported by the licensee without payment of ⁷[customs duty, sales tax, federal excise duty and income tax] after declaring on the goods declaration that such input goods are being imported for export oriented unit for manufacture of export goods. The amounts of ⁷[customs duty, sales tax, federal excise duty and income tax] involved on clearance of imported input goods shall be secured by the Collector of the importing station against indemnity bond and post-dated cheque as set out in *Appendix-IV*;
- (b) The local input goods liable to sales tax shall be supplied to the licensee against a zero rated sales tax invoice;
- (c) The local input goods liable to federal excise duty shall be supplied to the licensee against a zero-rated invoice;
- (d) The licensee may procure customs or federal excise duty-paid input goods manufactured locally for production of output goods and the licensee shall be entitled to payment of drawback of such duties, worked out on the basis of standard customs and/or federal excise duty drawback notifications, provided that the f.o.b. value for claiming such drawback, shall be the value excluding the duty-free value of input goods imported under these rules; or
- (e) The exemption from customs-duty, sales tax and federal excise duty, granted under the Board's Notification No. S.R.O326(I)/2008, dated the 29th March, 2008, shall also be applicable to plant, machinery, equipment and apparatus, including capital goods to be used solely within the limits of an Export Oriented Unit ²[:]

²[Provided that plant, machinery, equipment and apparatus including capital goods imported for an Export Oriented Unit shall be retained for a period of ten years from the date of importation.]

Provided further that the disposal of plant, machinery, equipment and apparatus before the expiration of ten years shall be subjected to following reduced rates of duty and taxes leviable at the time of importation, namely:-

	<u>Disposal Period</u>	<u>Duty and Taxes</u>
(i)	If sold or otherwise disposed of before the expiration of five years from the date of importation.	Full
(ii)	If sold or otherwise disposed of after five and before seven and half years from the date of importation.	50%
(iii)	If sold or otherwise disposed of after seven and half years and before ten years from the date of importation.	25%
(iv)	If sold or otherwise disposed of after ten years from the date of importation.	0%";

(2) The record of input goods, manufactured goods and output goods exported shall be maintained in the form as set out in *Appendix-V* to these rules, one copy of which shall be submitted to the Collector before the tenth day of the following month.

(3) The export of output goods shall be made against the goods declaration for export, prepared by the licensee and endorsed as "Export from Export Oriented Unit".

(4) The licensee of export oriented unit may exercise his option to get the finished goods meant for export examined by an official of customs either in the export oriented unit or at the port and quadruplicate copy of the goods declaration for export shall bear the examination report of the official of customs accordingly.

(5) The licensee may remove input goods out of his premises for partial manufacture or processing by the vendor after intimating the Collector or the officer authorized by him, in this behalf, in the form as set out in *Appendix-VI* to these rules:

Provided that in case the manufacturing process performed by the vendor is liable to sales tax and/or federal excise duty, the processed goods shall be returned to the manufacturer in such manner as if these were exported without payment of sales tax and/or federal excise duty:

Provided further that the output goods may be removed directly for export from the vendor to the customs-station.

(6) The factor rejects or output goods not conforming to the export standards shall be allowed disposal in the local market as per provisions of the Import Policy Order, for

the time being in force, after filing of goods declaration for home consumption by the licensee:

Provided that the factory rejects shall be allowed removal by an officer of customs not below the rank of an Assistant Collector, at the appraised value and customs- duty, sales tax and federal excise duty shall be levied as if the said material had been imported into Pakistan in that condition.

11. Remission of customs-duty, sales tax and federal excise duty to a licensee of an Export Oriented Unit.- Subject to the satisfaction of the Collector, the customs-duty, sales tax and federal excise duty, if any, may be remitted in full or in part, as the case may be, in the following cases, namely:-

- (a) When the input or output goods are damaged or destroyed by unavoidable circumstances or for causes beyond the control of the licensee; or
- (b) When the wastage of input goods, as determined in the Analysis Certificate, is destroyed; or
- (c) When goods procured are bona fide samples drawn under these rules or samples for study, testing or design; or
- (d) When the input goods or output goods, which are rendered unfit for consumption or sale, are destroyed in the manner as determined by the Collector.

12. Utilization period of input goods.- The input goods acquired under these rules shall be utilized in the manufacture and export of output goods within two years from the date of their import or as the case may be, local purchase:

Provided that the said period may be extended by the Board in cases of exceptional circumstances.

13. Disposal of input goods or output goods in exceptional circumstances.- Notwithstanding anything contained in sub-rule (4) of rule 14, a licensee may, with the permission of Collector, in case of licensee's inability to manufacture and export output goods for reasons beyond his control, dispose of input or output goods within the utilization period mentioned in rule 12 in the following manner, namely:-

- (a) Return to the person who had supplied the input goods; or
- (b) Sale, by a licensee to another licensee for export.

14. Monitoring and audit of an export oriented unit.- (1) The licensee shall arrange or install in his export oriented unit such online automated system to record

and display details of input goods, manufactured goods and output goods exported, besides inventory position on daily basis as may enable the Collector to monitor all the activity being done by him.

(2) The liability of a licensee to pay duty and taxes under a security instrument furnished by him under these rules, shall not be discharged unless post-exportation audit is carried out and completed to the satisfaction of the Collector at the end of every financial year.

(3) Such post-exportation audit shall be conducted by the Collector of Sales Tax and Federal Excise, in whose jurisdiction the licensee is registered under the Sales Tax Act, 1990. Necessary data of imported and locally procured input goods, manufactured goods, output goods and other relevant information of the licensee related to the financial year, required for the post-exportation audit, shall be provided by the Collector to the Collector of Sales Tax and Federal Excise having jurisdiction.

(4) The Collector of ²[Customs] Sales Tax and Federal Excise having jurisdiction shall also, at the time of post-exportation audit prescribed under sub-rule (2), confirm or otherwise the annual quantum or percentage of annual production exported by the export oriented unit, as prescribed under clause (d) of sub-rule (1) of rule 2.

(5) Where, as a result of post-exportation audit, prescribed under sub-rule (2), it is found that the quantum or percentage of annual production of the Export Oriented Unit has not been in accordance with the conditions prescribed under clause (d) sub-rule (1) of rule 2 or there arises any other discrepancy, irregularity or any violation of the provisions of these rules or any other law applicable in this behalf by the licensee, the Collector shall initiate proceedings for the recovery of leviable duties and taxes, besides penal action under the relevant provisions of the Acts;

Provided for reasons to be recorded, in writing, the Collector may order for audit, to be carried out at any time during the year but before the expiration of the financial year.

5. Particulars of Directors

Name

NTN																			

CNIC																			

Name

NTN																			

CNIC																			

Name

NTN																			

CNIC																			

Name

NTN																			

CNIC																			

Please attach attested copies of NTN and CNICs

6. Data about operation:

(i) Nature, type and estimated annual value of the imported input goods:

(ii) Nature, type and estimated annual value of locally procured input goods:

(iii) Total storage area for imported and locally procured input goods:

(iv) Nature, type and estimated annual value of output goods:

(v) Details of the sister concern(s) of the applicant's firm, if any:

(vi) Details about bonded warehouse(s), including manufacturing bond(s), if any, licensed to the applicant:

(vii) Details of the license(s) revoked, if any, or the penalties imposed on the licensee, if any:

(viii) Banks (with branch address(es) with which the business will be carried in connection with the proposed Export Oriented Unit.

7. Goods manufactured and exported (output goods) in last two years:-

Years	Goods Description	Manufactured (Rs)	Exported (Rs)	%age of goods exported Vs. goods manufactured

B. UNDERTAKING

1. I/We hereby declare that the information furnished by me/us is true to the best of my/our knowledge and belief.
2. I/We would agree to abide by any and specific conditions as may be laid down from time to time.
3. I/We also agree to inform the Collector or any Officer authorized in this behalf, of any change in the information provided in this application.
4. I/We have enclosed all documents required.
5. I/We undertake to furnish any further information or document as may be required for consideration of this request.

Date: _____ Signature of the Applicant _____

(CEO / Authorized Partner/Proprietor/
Authorized Representative)

<u>For Office use only</u>	
<u>Remarks of Assistant Collector/Deputy Collector after examining the case and visiting the premises.</u>	
Date: _____	Signature & Stamp _____
<u>Remarks of Additional Collector</u>	
Date: _____	Signature & Stamp _____
<u>Orders of the Collector</u>	
Date: _____	Signature & Stamp _____
Date of Issue	Date of expiry _____

APPENDIX-II

[See Rule 3(1)(f)]

**GOVERNMENT OF PAKISTAN
COLLECTORATE OF CUSTOMS**

BOND

I/we M/s. _____,
jointly and severally bound to the President of Pakistan in the sum equal to the Rs. _____
(Rupees _____ only) to be paid to the President of Pakistan for which
we jointly and severally bind ourselves and our legal representatives.

The conditions of this bound are that:-

If M/s. _____,
or their legal representatives shall observe all the provisions of the Acts, and the rules made
thereunder in respect of such goods to be imported for use in the Export Oriented Unit under
the provisions thereof.

And if the said M/s _____,
or their legal representatives shall pay to the appropriate officer of Customs at the Customs
House, _____ all dues, charges, surcharge or other lawful charges on the goods,
which shall be demanded on the said goods or on account of penalties incurred in respect of
them, within the prescribed period or within such further time as the Federal Board of
Revenue or the Collector may allow in this behalf together with surcharges on every such sum
at the discretion of the appropriate officer.

And that the amount demanded as a result of short recoveries discovered by the audit
at a later stage will be deposited on receipt of notice thereof.

And if within the terms so fixed or allowed, the said goods or any portion thereof
having being removed from the said Export Oriented Unit for the home consumption or re-
exportation by sea, land or air, the full amount of all duties and taxes, warehouse dues, rent or
other lawful charges, penalties and surcharges demandable as aforesaid shall be first paid on
the whole of the said goods. This obligation shall be void. Otherwise on breach or failure in the
performance of any part of this condition the same shall be in full force.

Signature and Seal:

Name

NTN																			

CNIC																			

Witnesses.

1. _____

2. _____

9. Any special instructions _____

Prepared by

Name & Designation

Signature and Seal

Signature and seal

Countersign by

Name & Designation

Signature and Seal

Signature and seal

APPENDIX-IV

[See Rule 10(1)(i)]

**GOVERNMENT OF PAKISTAN
COLLECTORATE OF CUSTOMS**

**INDEMNITY BOND
(ON APPROPRIATE STAMPED NON-JUDICIAL PAPER)**

This deed of indemnity is made on the _____ day of _____ 20____ between M/s _____ who have registered office at _____ (hereinafter called the licensee which means and includes their successors, administrators, executors and assignees) of the one part and President of Pakistan through the Collector of Customs) _____ (hereinafter called "the Collector") of the other part:

WHEREAS, the Collector has allowed us to remove goods under this BOND, we shall pay on demand all duties, taxes, drawbacks, repayments, rebates and refunds, not levied or paid under the rules, on the procurement of input goods which are not accounted to the satisfaction of the Collector and to pay any penalties imposed by the Collector/adjudicating officer for violation of these rules or the Acts;

NOW, THESE PRESENT WITNE4SS that in pursuance of this BOND the licensee M/s. _____ hereby agree to indemnify the said Collector for loss of revenue to the extent of Rs. _____ (Rupees _____) and also against costs and expenses which may be incurred by the Collector in recovery of the above amount of revenue.

It is further, agreed that the above amount may be recovered as arrears under relevant sections of the Acts and the rules made thereunder if the licensee fails to abide by any condition laid down in rules.

IN WITNESS WHEREOF the parties hereto have put their respective hands and seals on the day above written.

(1) M/s. _____
(Address)

(2) _____
(Name and permanent address)
For and on behalf of the President

Witness No.1

Signature _____
Name _____
Designation _____
Full address _____
CNIC No. _____

Witness No.2

Signature _____
Name _____
Designation _____
Full address _____
CNIC No. _____

								month.
--	--	--	--	--	--	--	--	--------

Signature: _____

Name and Designation _____

CNIC No. _____

		For official use only
Comments/report by the Customs Officer(s) after visit to the EOU, verification and reconciliation of the data.		
Date _____	Signature _____	
	Name & Designation _____	

	Employee No.	

APPENDIX-VI

[See Rule 10(5)]

**GOVERNMENT OF PAKISTAN
COLLECTORATE OF CUSTOMS****APPLICATION FOR TRANSFER OF GOODS FROM AN EXPORT ORIENTED
UNIT TO A VENDOR.**

The Collector,
Collectorate of Customs,
Customs House _____.

I/We M/s _____
intend to transfer the following goods from _____
_____(Name, address & license
No. of the EOU) to _____
_____(Name, address & Sales Tax Registration No. of
the vendor) for the purpose of _____

Description	G.D./Sales Tax invoice No. & date	Quantity.	Value in Rs.	Total value (per unit)	Duty & taxes rate (item wise)	Total duty & taxes involved.
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Indemnity bond No. & date.	Nature of further Processing, if required.	Date on which Transfer is required.	Date on which Transferred goods will be retrieved / exported	Extent of value addition, if any.
(8)	(9)	(10)	(11)	(12)

Signatures with date _____ Signature with date _____
Name & Designation of consigner _____ Name & Designation of consignee _____

UNDERTAKING:

1. I/We hereby declare that the information furnished by me/us is true to the best of my/our knowledge and belief.
2. I/We would produce further documentary evidence in support thereof if and when called for.
3. I/We also agree to abide by any such specific conditions as may be laid down from time to time.
4. I/We also agree to inform the Collector or any officer authorized in this behalf of any change in the information provided in the application.

Date _____

Signature of the Applicant

(CEO Authorized Partner/Proprietor/Authorized
Representative)

<u>For official use only</u>

[C.No.11(25)EP/2007]

**(Khalid Mahmood)
Second Secretary (Exports Policy)**

As amended

1. SRO 888(I)/2009 dated 15.10.2009
2. SRO 494(I)/2009 dated 13.06.2009
3. SRO 340(I)/2010 dated 20.05.2010
4. SRO 353(I)/2010 dated 24.05.2010
5. SRO 163(I)/2012 dated 10.02.2012
6. SRO 687(I)/2013 dated 31.07.2013
7. SRO 1367(I)/2012 dated 08.11.2012