

DETERMINATION OF MATERIALS AND FIXATION OF RATES

308. Definitions.- In this sub-chapter, unless there is anything repugnant in the subject or context,-

- (a) "applicability "means and includes,-
 - (i) determination of input output ratio of input materials of a class or description used in the manufacture of products permissible for export under any relevant Export Policy Order for the time being in force, on which repayment or drawback of custom duties is allowed, the calculation of input to output ratios and the fixation of rates for the purposes of repayment or drawback thereon;
 - (ii) the determination of input to output ratios of all input materials of a class or description used in the manufacture of products which are exported from Pakistan under any Duty or Tax Remission Scheme as specified under the provisions of the Act or Rules or any notification issued there-under;
 - (iii) determination of the quantity of raw materials, sub-components, components, sub-assemblies, assemblies and the input to output ratios of all products of a class or description specified under any concessionary import scheme for the local manufacture and supply of goods as specified in the relevant notifications; and
 - (iv) determination of input to output ratios of all input materials of a class or description used in the manufacture of products specified under any concessionary or special import or domestic supply scheme on reference from any authority or agency; and
- (b) 'Directorate General of Input Output Coefficient Organization (IOCO)" means an organization established by the Board to authorize, regulate or monitor duty or tax remission or exemption under survey-based concessionary notifications determining input-output ratios, wastages and fixation of rates for repayment or remission or drawback of custom duty and/or any other assignment relating thereto;
- (c) "Association" means a representative trade body of persons engaged in manufacture, production or commercial import or export of goods of a class or description on which repayment or draw back or remission or concession of customs duty or any other tax is allowed and duly registered under the law in force relating to registration of such Association;
- (d) "Board" means the Federal Board of Revenue;

- (e) "CC and I" means the respective Chambers of Commerce and Industry recognized and affiliated with the FPCCI;
- (f) "Director General" means the officer of Customs holding charge as the Director General of IOCO and duly notified by the Board in this regard;
- (g) "Director IOCO (South)" means the officer of Customs holding the charge of Director IOCO (South) having jurisdiction over areas in Sindh and Balochistan Provinces and duly notified by the Board in this regard;
- (h) "Director IOCO (North)" means the officer of Customs holding the charge of Director IOCO (North) having jurisdiction over areas in Khyber Pakhtunkhwa, Gilgit-Baltistan, Islamabad Capital Territory (ICT) and Rawalpindi Division and duly notified by the Board;
- (ha) **Director IOCO (Hqrs)** means the officer of Customs holding the charge of Director IOCO (Hqrs) having jurisdiction over all offices of the Director General of IOCO and the Collectorates of Customs as duly notified by the Board;
- (i) "Director IOCO (Central)" means the officer of Customs holding the charge of Director IOCO (Central) having jurisdiction over areas in Punjab province excluding Rawalpindi Division and duly notified by the Board in this regard;
- (j) "EDB" means Engineering Development Board working under the Ministry of Industries and Production, responsible for the determination of input to output ratios and wastages for engineering goods, whenever required;
- (k) "FPCCI" means the Federation of Pakistan Chambers of Commerce and Industry;
- (l) "Individual Notification" means a notification relating to the determination of input goods and fixation of Custom Duty repayment or drawback rates in relation to all goods related to sub-clause (a) of clause (i) of this rule and which are applicable in case of a specific manufacturer named therein;
- (m) "input materials" means all such imported goods or materials used in the manufacture of goods or products which are specified in any of the cases given at clause (a) above to which this sub-chapter is applicable;
- (n) "manufacture" means any process incidental or ancillary to the completion of such finished goods which are produced or manufactured from input goods;
- (o) "manufacturer" means a person engaged in any process incidental or ancillary to the manufacture of goods;

- (p) "products" means all such finished goods manufactured in Pakistan and meant for export or exported outside Pakistan or for local supply inside Pakistan, from time to time;
- (q) "Schedule" means a Schedule to this Sub-Chapter;
- (r) "Sector Specialist" means a qualified person having the required professional expertise in various sectors and appointed as sector specialist in Directorate General of IOCO or an officer of Customs posted as sector specialist by the Board;
- (s) "Standard Notification" means a notification relating to the standard determination of imported input materials and fixation of Custom Duty Repayment or drawback rates in case of goods of a class or description which is not limited or restricted to an individual manufacture but is applicable in general cases; and
- (t) "Tax" means tax levied under the Sales Tax Act, 1990 or Income Tax Ordinance, 2001 or any other levy imposed by the Federal Government which has been remitted under any special or general concessionary notification on imported or exported goods for the time being in force.

309. Powers and functions of IOCO.- (1) For the purposes of this Sub-Chapter, the Board shall establish a Directorate General of IOCO which shall be headed by an officer of Customs not below in rank than a Director General.

(2) The Board shall ensure that the Director General is assisted by the Director(HQ), Director (North), Director (Central) Director (South), Additional Directors, Deputy or Assistant Directors and as many officers of customs including Sector Specialists who in the opinion of the Director General may, from time to time, be required for the purposes of this sub-chapter.

(3) The Director General and other officers including the sector specialists shall all be officers of customs in terms of section 3 of the Act.

(4) All officers including the sector specialists appointed or holding a post in the Directorate General of IOCO shall exercise the powers and discharge duties conferred or imposed under the Act throughout Pakistan and in such other areas where the Act has been applied.

(5) The head office of the Directorate General of IOCO shall be located at Karachi, or at any other place recommended by the Board and it shall have, as many regional offices at other places in Pakistan as in the opinion of the Board may, from time to time, be necessary for the purposes of this sub-chapter.

(6) The officers including the sector specialists, subject to such limitations, conditions or restrictions specified in this sub-chapter, shall be authorized to take all such

steps or actions as may be necessary for achieving the purposes of the rules under this sub chapter and which shall amongst other include surveys of the manufacturing premises of any manufacturer, inspection, examination and audit of the commercial records or other documents and conduct any other verification check whatsoever as the officer or sector specialist may deem fit.

(7) The sector specialist shall be an appropriate officer for requisitioning in writing information or documents, in terms of section 26 of the Act, for the purposes of the rules under this sub —chapter but subject to the limitation and conditions on the exercise of such powers and discharge of such duties as specified in the rules.

(8) The applications or any other document whatsoever made or signed or caused to be made or caused to be signed or delivered or caused to be delivered to any officer of the Directorate General of IOCO including the sector specialist shall be a declaration and document in terms of section 32 of the Act. Where any such document relates to an Association, the liability of the office bearers thereof shall be joint and several for the purposes of section 32 of the Act. Furthermore, any statement made in answer to any question put to the person giving the statement, shall be a statement in terms of section 32 of the Act.

(9) If any person in connection with any matter under the rules under this sub- chapter without any reasonable excuses fails to comply with any requisition made under the Act or to furnish any information as required by or under this sub-chapter to be furnished shall be liable to the penalty prescribed under the Act.

(10) If at any stage the sector specialist or any other officer of the Directorate General of IOCO is satisfied that a survey or audit of any manufacturing premises or any other business premises is required to be conducted for the purposes of or in connection with any matter under this sub-chapter, he shall inform the Director and after his written approval proceed to conduct the survey or audit. The manufacturer or producer selected for this purpose shall be notified in this regard who shall allow free access to the records relating to the manufacturing process or any such record as in the opinion of the person conducting the survey or audit is essential for the purposes of or in connection with the rules under this sub-chapter.

310. Standard rate for purposes of Standard Notification.- (1) In cases falling under sub-clause (i) of clause (a) of rule 308, the concerned Association shall apply to the Director General through an application in the form as set out in Schedule for the purposes of this sub-chapter.

(2) The Director may an application as he may deem fit call for any further information or make any addition to the particulars of

(3) At the time of submitting an application, the Association shall specify the complete calculations in accordance with the method of calculation as the Board may notify separately and shall also furnish therewith the worksheets. However, when the new product is of such a nature that in respect of it the agreed method of calculation is not applicable, the Association shall declare the details of the method of calculations on which the working is based. All applications made under this sub-rule shall be accompanied by separate work

sheets in case of the individual manufacturers or producers selected by the Association as the representative manufactures or producers for the purposes of the rules under this sub-chapter. The manufacturers or producers or their duly authorized representatives shall duly sign all such individual work sheets.

(4) The Director shall, immediately on receipt of an application, send the same to the concerned sector specialist.

(5) If the sector specialist, after making such inquiry as he thinks fit, is satisfied with the method of calculation and other particulars contained in an application, he shall accordingly inform the Director within fifteen days from the date of submission of the application.

(6) The Director after receiving report of the Sector Specialist, if satisfied with the findings mentioned therein shall inform the Association, in writing, specifying therein the proposed rates of repayment or drawback of customs duties, the input materials and the date fixed for meeting so as to afford an opportunity of hearing.

(7) In case, the Association has no objection regarding the determination of the input materials, the calculation of input to output ratio, and the proposed rates of drawback or repayment of customs duties, the Director shall, within fifteen days from the date fixed for the meeting, send recommendations while providing supporting input output data for the rates so fixed to Director General who shall forward it to the Board for issuance of a Notification in the official Gazette.

(8) In case the Sector Specialist, after receiving an application in the manner described in sub-rule (4) where the method of calculation is not agreed and in consequence makes such inquiry as he thinks fit, is not satisfied with the method of calculation, proposed by the Association, he shall inform the Director in writing recording his reasons with regard thereto.

(9) On receiving the report of the Sector Specialist, the Director shall fix a date for a meeting and inform the Association in writing communicating therein the reasons recorded by the sector specialist.

(10) After hearing the Association on the day fixed for the meeting, the Director in consultation with the Sector Specialists shall decide the method of calculation where after, in accordance with the procedure provided in sub rule (7), the Director shall proceed to determine the input materials and send recommendations while providing supporting input output data for the rates so fixed to Director General who shall forward it to the Board for issuance of a Notification in the official Gazette.

311. Specific rate in case of individual Notification for repayment or drawback of custom duties.- (1) In case a product is not included in a Standard Notification under Rule 310 and in respect of which it is not practicable for the purposes of this sub-chapter to determine the input raw materials and fix the rates relating thereto by a Standard Notification, the Directorate General of IOCO on an application made by an individual manufacturer in this behalf, may determine the rates for issuance of an individual notification relating to such

an individual manufacturer who shall apply to the Director General through an application in the form as set out in Schedule for the purposes of this sub-chapter. The application of such an individual manufacturer or producer shall be dealt with and processed in the manner as provided in sub rules (4) to (10) of rule 310 except that wherever the word "Association" appears therein, it shall be read as individual applicant:

Provided that at any time if the Director is of opinion that there has been a change in the circumstances which requires a standard rate to be fixed, he shall inform the respective Association, if any, and all the concerned individual manufactures or producers, and thereafter may determine, in the manner provided in rule 310, the standard rate and send recommendations while providing supporting input output data for the rates so fixed to the Director General who shall forward it to the Board for issuance of a Notification in the official Gazette.

(2) Notwithstanding anything contained in this sub-chapter, if at any time, in the opinion of any individual manufacturer or producer, the standard rates fixed under this sub-chapter are to his disadvantage or adversely affect him to the extent of twenty per cent or more, such a manufacturer or producer may apply for the determination of input materials and fixation of rates to this extent. The application of such an individual manufacturer or producer shall be dealt with and processed in the manner as provided in sub-rules (4) to (10) of rule 310, except that wherever the word "Association" appears therein, it shall be read as individual applicant.

312. Revision of rates of repayment or drawback of customs duties.- (1) For the revision of rates, in case of all products specified in sub-clause (a) of clause (i) of rule 308 notified, by the Board prior to the date of commencement of these rules, the Director shall inform the respective Association of the method of calculation adopted for determining the custom duty repayment or drawback rates for their comments and active participation before finalization of the process:

Provided that in case any Association which in the opinion of the Director was required to have been consulted and which was not so consulted regarding the method of calculation, he shall after the date of commencement of these rules, as soon as may be possible, consult such Association in this regard;

Provided further that if the respective Association does not co-operate in providing timely and verifiable data or information, the Director may, in consultation with the Sector Specialists, decide the method of calculation and proceed to determine the input materials and recommend the revision of the rates of repayment or drawback of customs duties thereon and send recommendation while providing supporting input output data for the rates so fixed to the Director General who shall forward it to the Board for issuance of a Notification in the official Gazette.

(2) The Directorate General of IOCO shall generally review all the rates notified under this sub-chapter in the last month of each calendar year and complete the exercise by the thirtieth day of January in the following year. It shall be the responsibility of all Associations and individuals, as the case may be, for whom duty repayment or drawback notifications have been issued to supply, by the thirtieth day of November every year to the Director,

details of any change to the input output worksheets on which the current rate are calculated, in particular, changes in material used, their quantities and values. In case no change has occurred in such data, the Association or individual, as the case may be, shall inform the Director that no change has occurred in the work sheet particulars. The Director shall on the basis of the method of calculation decided under sub-rule (1) or as otherwise notified under this sub-chapter, from time to time, review the rates so notified:

Provided that if at any time the Director has reasons to believe that there has been a material change affecting the notified rates to the extent of fifteen percent or more whether upwards or downwards, he shall immediately communicate the reasons thereof to the concerned Association or the individual manufacturer or producer, as the case may be and, after affording a reasonable opportunity of hearing, send recommendation while providing supporting input output data for the rates so fixed to the Director General who shall forward it to the Board for issuance of a Notification in the official Gazette:

Provided further that if at any time it comes to the notice, in case of Standard Notification, of the Association or any of its member, and, in case of an Individual Notification, to an individual manufacturer or producer, that any change has taken place in any factor whatsoever which affects the notified rates to the extent of fifteen percent or more, whether upwards or downwards, the Association, member or the individual manufacturer or producer, as the case may be shall immediately inform the Director in this regard. The failure to inform in this regard shall be treated as a violation of these rules:

Provided also that, if at any time, the Director has reasons to believe that the notified method of calculation has become inapplicable or invalid on account of a material change in any factor having an effect thereon, he shall communicate the reasons to the Association. After affording the Association an opportunity of hearing, the Director shall review the existing rates based thereon.

(3) In consequence of the review, if the Sector Specialist is of the opinion that the rates require revision, he shall, after recording the reasons in writing, inform the Director.

(4) The Director, if satisfied with the findings of the sector specialist, shall inform the association or the individual manufacturer or producer, as the case may be, in writing regarding the reasons for the proposed revision and specify a date for the purposes of affording a hearing.

(5) The Director shall, within fifteen days from the date fixed for the meeting, decide the revised rates and record the reasons in writing which shall be duly communicated to the Association or the individual manufacturers or producer, as the case may be. The Director shall then send recommendation while providing supporting input output data for the rates so fixed to the Director General who shall forward it to the Board for issuance of a Notification in the official Gazette.

(6) Notwithstanding anything contained in this sub-chapter, the Association or the individual manufacturer or producer, as the case be for reasons to be specified, may apply to the Director for the revision of the existing notified rates. All such applications shall be dealt with in accordance with the procedure laid down in sub-rules (1) to (4).

313. Miscellaneous provisions regarding determination of rates of repayment or drawback of Customs duties.— (1) All applications for the purpose of this sub-chapter in respect of the determination of standard rates of repayment or drawback of custom duties shall be entertained through the respective Associations. However, in case there are more than one association claiming to represent the manufacturers or producers of any goods of a class or description, the Director shall decide either to consult any or all such Associations. If the Director decides not to entertain or consult a particular Association, he shall record the reasons thereof in writing. Furthermore, the Director may also consult any of the Associations of CC&I or the FPCCI in this regard.

(2) If any person or an Association having an interest in a Standard Notification, or an individual manufacturer in case of an Individual Notification, is aggrieved by any calculation or worksheet prepared by any office of the Directorate General of IOCO, it may apply to the Director General or the Board specifying the grounds thereof. The Board or the Director General may ask the Director for consideration of relevant calculations and/or worksheets, as deemed appropriate.

(3) The Directorate General of IOCO may consult the manufacturing Associations of locally produced input materials used in products meant for export.

313A. Determination of Input to Output ratios and wastage.- (1) In cases, specified in sub-clauses (ii) and (iv) of clause (a) of rule 308, the regulatory authority specified in the concessionary notification or any other agency, as the case may be, shall make a reference to the concerned Director, Directorate General of IOCO, giving therein complete details of the raw materials, quantities, name of applicant, his address and other particulars including the input to output ratio declared by the individual manufacturer or producer submitted at the time of application.

(2) The Director may call for any further information or make any addition to the particulars of an application as he may deem fit.

(3) The Director shall, immediately on receipt of a reference, send the same to the concerned Sector Specialist. If the Sector Specialist, after making such inquiry as he thinks fit and consulting the records of the Directorate General of IOCO, is satisfied with the input to output ratios and wastages of the product as declared by the applicant, he shall accordingly inform the Director within fifteen days from the date of receipt of the reference.

(4) In case, the sector specialist after receiving the reference in the manner described in sub-rule (3) above, finds that the input to output ratios and wastages are not according to industry averages or ratios of similar or identical products determined by the Directorate General of IOCO previously, he shall proceed to determine the same. He shall submit his findings in a comprehensive report to the Director within thirty days from the date of receipt of reference.

(5) The Director after receiving report of the Sector Specialist, if satisfied with the findings mentioned therein, shall inform the referring authority in writing, specifying therein the input output ratios and wastages determined by the Directorate General of IOCO. The

Director, after receiving report of the Sector Specialist, if satisfied with the findings mentioned therein, shall inform the referring authority in writing, specifying therein the input output ratios and wastages determined by the Directorate General of IOCO.

313B. Determination of quantitative entitlement of raw material.- (1) In cases, specified in sub-clause (iii) of clause (a) of rule 308, the concerned manufacturer or producer, who intends to avail benefit of relevant concessionary notification, shall apply to the concerned Director IOCO.

(2) The Director may call for any further information or make any addition to the particulars of an application as he may deem fit.

(3) The Director shall, immediately on receipt of an application, send the same to the concerned sector specialist. In case of an Applicant who has already availed quantitative entitlement of raw materials in the previous year, the sector specialist shall conduct a desk audit of the records of the applicant and ensure that the quota was properly consumed as per input to output ratios ascertained by the Directorate General of IOCO or EDB, as the case may be. If he finds that the performance of the unit has been satisfactory and all the raw materials have been consumed according to the conditions of the notification, he shall submit his report to the Director within thirty days from the date of receipt of the application.

(4) In case, the applicant is applying for quantitative entitlement for the first time, the sector specialist shall issue a survey date to the applicant for verification of in-house manufacturing facility and provision of information related to installed machinery, production capacity, financial accounts, other details, etc, as may be required to ascertain the eligibility of the applicant for the duty or tax concession. The sector specialist shall submit his report to the Director within thirty days from the date of receipt of the application.

(5) The Director, if satisfied with the findings of the sector specialist, shall issue quantitative entitlement certificate for the next financial years. The Director may also allow issuance of provisional quantitative entitlement certificate pending the completion of all formalities or pending any inquiry or verification related to the facts and circumstances of the case.

Schedule [see rules 310(1) and 311(1)]

A. Application for a standard repayment or drawback rate by trade association:

1. Application shall be made on the respective Association's headed paper to the Directorate General of IOCO. The application shall contain the following information, namely:

- (a) names and addresses of the four or more manufacturers selected by the Association;
- (b) description of the export product for which application for a repayment or drawback rate is made and for which the four manufacturers have provided input material quantities per unit of calculation, e.g. one hundred square meters of cloth; and
- (c) quantity of the product for which repayment or drawback is applied for - exported by each manufacturer over the last six months.

2. In respect of each of the four manufacturers named above, the association should provide the following particulars, namely:

- (a) Information solely provided by each manufacturer:
 - (i) description of the raw materials used;
 - (ii) quantity of inputs used in the manufacture of the finished product; and
 - (iii) FOB value of the product exported (average of the last six months).
- (b) Information added by association.
 - (i) currency rate (interbank at the time of making calculation);
 - (ii) GIF value in Rupees;
 - (iii) HS code of the product;
 - (iv) Custom-duty rate;
 - (v) Custom duty amount of each ingredient and total; and
 - (vi) calculation of the repayment or drawback rate applied for alongwith worksheets based on the notified method of calculations. If notified method is inapplicable, provide details of calculations with worksheet and method applied.

B. Application for a specific repayment or drawback rate by an individual manufacturer:

Application by an individual manufacturer should provide the same details as for application for standard rates as set out above, but in respect only of the individual manufacturer. This should be accompanied by a brief description of the manufacturing process and the method of calculation applied. Worksheets showing how the rate of repayment or drawback of customs-duties has been calculated must also be supplied.”

As amended:

SRO 994(I)/2019 dated 04.09.2019