

**Government of Pakistan
Revenue Division
Federal Board of Revenue

Islamabad, the 16th September, 2026.

NOTIFICATION

S.R.O. 1586 (I)/2026.— In exercise of the powers conferred by section 40, read with section 45A, of the Federal Excise Act, 2005, the Federal Board of Revenue is pleased direct that the following further amendments shall be made in the Federal Excise Rules, 2005, namely:—

In the aforesaid Rules, in Chapter XIV, after rule 73A, the following shall be inserted, namely:—

“Chapter XIVA

ELECTRONIC PRODUCTION MONITORING OF EXCISABLE GOODS

73B. Application.— (1) The provisions of this Chapter shall apply to-

- (a) the electronic monitoring of production and sale of excisable goods or class of excisable goods through a production monitoring system;
- (b) such manufacturers, production facilities, warehouses or industrial sectors as may be notified by the Board; and
- (c) any other excisable goods or persons as may be specified by the Board for the purposes of section 45A of the Act:

Provided that the Board may, through notification in the official Gazette or by special order, specify the date from which the Production Monitoring System shall be installed and made operational in respect of any excisable goods, manufacturer or class of manufacturers.

(2) Without prejudice to the generality of sub-rule (1), the production monitoring system may comprise video surveillance, video analytics solution, digital eye or any other solution approved by the Board for electronic monitoring of production on real time basis.

73C. Definitions.— In this Chapter, unless there is anything repugnant in the subject or context,—

- (a) "authorized officer" means an officer of Inland Revenue authorized by the Board for the purposes of this Chapter;

- (b) "authorized vendor" means a person, firm or company approved by the Board for supplying, installing, operating or maintaining the production monitoring system under this Chapter;
- (c) "Central Control Unit" or "CCU" means the centralized monitoring facility established, designated or approved by the Board for receiving, processing, analysing and storing production and sales data transmitted through the Production Monitoring System;
- (d) "digital eye" means software approved by the Board, capable of identifying, recording, counting, tracking or analysing production, packaging, movement or sale of excisable goods through video footage or other digital means;
- (e) "excisable goods" or "class of excisable goods" means such goods as may be specified by the Board through notification in the official Gazette;
- (f) "manufacturer" means a manufacturer or producer of excisable goods;
- (g) "production monitoring equipment" means cameras, sensors, hardware, software, servers, networking equipment and allied equipment approved by the Board; for implementation of the Production Monitoring System;
- (h) "video analytics solution" means an artificial intelligence-based software solution capable of object detection, product recognition, production counting, anomaly detection, behavioural analysis or any other analytical function approved by the Board; and
- (i) "video surveillance" means recording, monitoring or live streaming of production, packaging, storage or dispatch of excisable goods through cameras or other recording devices approved by the Board.

73D. Electronic monitoring of production and sale.— (1) The production and sale of excisable goods shall be monitored through a production monitoring system by installation of production monitoring equipment, including video surveillance, video analytics, digital eye or any other system or technology approved by the Board, for the purposes of—

- (a) monitoring and recording of the production and sale of excisable goods;
- (b) capture, counting and verification of production;
- (c) collection, transmission, storage and archiving of production and sales data at the CCU of the Board;
- (d) detection of production interruptions or anomalies; and

- (e) data analysis for ensuring compliance with the provisions of the Act and the rules made thereunder.

(2) No manufacturer shall remove, clear or sell excisable goods unless such goods have been monitored and recorded through the production monitoring system provided under this Chapter or any instructions issued by the Board.

73E. Authorized vendor.— Every manufacturer shall procure, install and maintain the production monitoring system and production monitoring equipment only through an authorized vendor approved by the Board.

73F. Approval Committee.— (1) The Board shall constitute a committee to be known as Approval Committee for evaluation and approval of vendors, technologies, software, hardware and equipment for implementation of the production monitoring system.

(2) The Board shall specify the procedure of the Approval Committee.

(3) The Approval Committee shall perform its functions in accordance with the provisions of these rules.

73G. Application for approval.—(1) A person seeking approval as an authorized vendor under this Chapter shall submit an application in duplicate to the Board in such form and manner as may be specified by the Board.

(2) An application under sub-rule (1) shall be accompanied by such information, documents and technical details as may be specified by the Board, including, where applicable—

- (a) profile of the applicant;
- (b) details of managerial and technical personnel indicating name, position, qualification and experience;
- (c) technical specifications and capabilities of the proposed Production Monitoring System;
- (d) details of relevant experience and previous assignments;
- (e) National Tax Number (NTN), Sales Tax Registration Number (STRN), where applicable, and other statutory registrations;
- (f) audited financial statements of the preceding three financial years;
- (g) an undertaking that the applicant has not been blacklisted by any government or private organization and has not been involved in any fiscal fraud; and

- (h) such other information or documents as may be required by the Board.

73H. Criteria for grant of authorization.—An applicant seeking authorization as a vendor shall demonstrate, to the satisfaction of the Board, that the production monitoring system and production monitoring equipment comply with the technical specifications, functional requirements and performance standards specified by the Board.

73I. Functions and responsibilities of information technology team of Board.— The information technology team of the Board shall perform such functions and responsibilities as may be assigned or specified by the Board for the implementation, operation and monitoring of the production monitoring system.

73J. Procedure for grant of authorization.— (1) Upon receipt of an application under rule 73G, the Approval Committee shall evaluate the application in accordance with this Chapter.

- (2) For the purpose of evaluation, the Approval Committee may—
 - (a) on receipt of an application for grant of authorization, the approval committee shall evaluate it;
 - (b) fix a date for a hearing to be attended by the applicant for the purposes of evaluation of the application submitted under clause (a);
 - (c) carry out visits and physical inspections to ascertain eligibility of the applicant for authorization under this Chapter; and
 - (d) require the applicant to give practical demonstration of the technological solution offered for approval.

(3) The Approval Committee shall, within sixty days of receipt of the application, submit its recommendations to the Board for grant or refusal of authorization:

Provided that where authorization is recommended to be refused, the reasons therefor shall be recorded in writing.

(4) Where the applicant fulfils the prescribed technical, financial and other requirements, the Approval Committee may recommend the grant of authorization to the Board.

(5) The Board may grant authorization to the recommended applicant, subject to such terms and conditions as it may specify.

(6) Before the grant of authorization, the applicant shall furnish an unconditional bank guarantee equivalent to five per cent of the project cost or five million rupees, whichever is lower, in favour of the Board.

(7) The bank guarantee furnished under sub-rule (6) shall remain valid for the period of authorization and may be encashed by the Board in the event of any violation of the provisions of the Act, these rules or, as the case may be, the terms and conditions of the authorization.

73K. Responsibilities of authorized vendors.— (1) An authorization granted under this Chapter shall, unless suspended or cancelled earlier, remain valid for a period of three years and may be renewed by the Board in accordance with this Chapter.

(2) The authorization shall be subject to the provisions of the Act, these rules and such terms and conditions as may be specified by the Board.

(3) An authorization granted under this Chapter shall be non-transferable and shall not be assigned or sub-contracted without the prior approval of the Board.

(4) The authorized vendor shall procure, install, configure, commission and maintain the production monitoring system and production monitoring equipment in accordance with the specifications specified by the Board.

(5) The authorized vendor shall complete the installation and commissioning of the production monitoring system within forty five days of the issuance of the purchase order or within such extended period as may be allowed by the Board.

(6) The authorized vendor shall provide technical support, software upgrades, bug fixes, preventive maintenance and prompt rectification of faults to ensure uninterrupted operation of the production monitoring system.

(7) The authorized vendor shall provide all necessary technical assistance and support to the Board and its information technology team for the implementation, operation and monitoring of the production monitoring system.

(8) An application for renewal of authorization shall be submitted to the Board at least three months before the expiry of the authorization.

(9) The Board may, after evaluation of the performance of the authorized vendor and compliance with this Chapter, renew the authorization for a further period of three years, subject to such terms and conditions as it may specify.

73L. Technical support and training.— (1) The authorized vendor shall upgrade the production monitoring system, including the related hardware, software, communication equipment and other components, in accordance with the technical specifications and requirements specified by the Board.

(2) The authorized vendor shall provide technical and operational training to the officers and officials of the Board and furnish such documentation, user manuals and technical support as may be required by the Board.

(3) The Board may, from time to time, conduct performance reviews, inspections or technical evaluations of the production monitoring system to assess its functionality, efficiency and compliance with this Chapter.

73M. Fee and charges.— (1) An authorized vendor shall charge the manufacturer such fee or charges for the supply, installation, operation, maintenance and support of the production monitoring system as may be approved by the Board.

(2) No fee or charges shall be payable by the Board or its field formations for the purposes of this Chapter.

(3) The Approval Committee may, either on its own motion or on the request of a manufacturer or an authorized vendor, determine the maximum fee or charges that may be charged by an authorized vendor from a manufacturer.

(4) The Approval Committee may specify the approved fee or charges in such manner as it may deem appropriate.

(5) The fee or charges shall remain applicable during the period of authorization unless revised by the Approval Committee.

(6) An authorized vendor may apply to the Approval Committee for revision of the approved fee or charges where there is a material change in the basis of determination or due to exceptional economic circumstances.

(7) The Approval Committee may, after providing an opportunity of hearing to authorized vendor, where necessary, approve or reject the request for revision of the fee or charges.

(8) Where a request for revision of fee or charges is rejected, the authorized vendor may apply to the Approval Committee for cancellation of its authorization.

(9) The Approval Committee may, after considering the request made under sub-rule (8), cancel the authorization.

73N. Functions and responsibilities of manufacturer.— (1) Every manufacturer to whom this Chapter apply shall—

- (a) make all production facilities available for installation of the production monitoring system and allow access to the authorized vendor and the Board for routine operations, inspection, maintenance, repair and upgradation of the production monitoring system;
- (b) establish, operate and maintain the information technology infrastructure, including internet connectivity, uninterrupted power supply and such other facilities as may be specified by the Board, wherever required for the purposes of this Chapter;
- (c) not produce, process, pack, clear or supply excisable goods except through the production monitoring system in such manner as may be specified by the Board;
- (d) be responsible to pay the approved fee or charges to the authorized vendor in accordance with this Chapter;

- (e) be responsible for the smooth functioning, protection and security of the production monitoring system;
- (f) report to the Commissioner concerned, within one hour of any operational failure, damage, disruption, tampering, unauthorized interference or malfunction of the production monitoring system:

Provided that where any damage to the production monitoring system is found to be attributable to the carelessness, negligence or deliberate act of the manufacturer, the cost of repair or replacement shall be borne by the manufacturer, without prejudice to any proceedings that may be initiated under the Act or these rules;

- (g) allow unhindered access to the Board or any officer authorized by the Board for inspection, verification, maintenance, audit or any other purpose connected with the implementation of this Chapter;
- (h) give the Board not less than thirty days prior written notice of any proposed installation, commissioning, expansion, modification, relocation, suspension or discontinuance of any goods or production line or of the production monitoring system;
- (i) make available any damaged or defective equipment, devices, cameras or any component of the production monitoring system for inspection by the officer authorized by the Commissioner;
- (j) report any inoperative production lines within one hour of occurrence to the concerned Commissioner and the officer authorized by such Commissioner shall immediately proceed to secure such lines using a security seal and register the action in the system;
- (k) ensure that no person tampers with, bypasses, disables, obstructs or otherwise interferes with the production monitoring system or any device or equipment forming part thereof;
- (l) production lines sealed as aforesaid shall not be de-sealed to resume operation except with the permission of the Commissioner; and
- (m) comply with such other directions, conditions, procedures or requirements as may be specified by the Board for the effective implementation of this Chapter;

73O. Liability of authorized vendor.— (1) Without prejudice to any other action under the Act or these rules, an authorized vendor found to have willfully colluded with a manufacturer in the violation of the provisions of the Act or these rules shall be liable to action under the Act or the rules made thereunder.

(2) Where, after affording an opportunity of being heard, it is established that an authorized vendor has colluded with a manufacturer resulting in evasion of duty or taxes, such vendor shall be liable for the consequences provided under the Act or the rules made thereunder, including recovery of duty, taxes, default surcharge and, as the case may be, penalties.

73P. Audit.—The Board may conduct, or cause to be conducted, periodic audits, inspections or technical evaluations of the production monitoring system and take such corrective or remedial measures as may be considered necessary.

[C.No. 6(3)TDU/IR/2026]

(Izhar Zuberi)
Second Secretary (ST&FE-Policy)

