

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

Islamabad, the 21st March, 2001.

NOTIFICATION
(CUSTOMS / CENTRAL EXCISE/SALES TAX/INCOME TAX)

S.R.O. 185(I)/2001: - In exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), section 37 of the Central Excises Act, 1944 (I of 1944), section 50 of the sales Tax Act, 1990, and sub-section (1) of section 165 of the Income Tax Ordinance, 1979 (XXXI of 1979), the Central Board of Revenue is pleased to make the following rules, namely :-

1.Short title, application and commencement :- (1) These rules shall be called the Duty and Tax Remission for Export Rules, 2001.

2. These rules shall apply in respect of exporters, indirect exporters, and export houses for –

- (i) goods imported under the Import Policy Order for the time being in force , including banned and restricted items, that may be procured without payment of customs-duty, excise duty, sales tax and withholding income tax; and
- (ii) goods or supplies purchased or procured locally without payment of sales tax, excise duty and withholding income tax.
- (iii) They shall come into force at once.

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

- (a) “Appendix” means an Appendix to these rules;
- (b) “exporter” means a registered person, export house or indirect exporter engaged in or intending to engage in export of goods;
- (c) “export house” means a trading company registered as an export house;
- (d) “indirect exporter” means a person who has a firm contract from a direct exporter for manufacture and supply of goods for export to the direct exporter; and
- (e) “input goods” mean all goods imported or procured locally for manufacture and export under these rules.

3. Procurement of input goods :- (1) An exporter shall furnish an application in the form as set out in Appendix 1, to the Collector of Customs, within whose jurisdiction the head office of the exporter is located, along with the following, namely :-

- (i) list of goods he intends to supply for export or export directly along with the description, quantity and value of the input goods, to be imported or purchased locally for use in the manufacture of goods for export;
 - (ii) input to output ratio calculated by the exporter for conversion of input goods into manufactured goods for export along with particulars of the anticipated wastage; and
 - (iii) export contract in respect of the goods declared in clause (i).
- (2) The Collector of Customs shall allow the delivery of input goods without payment of any duties and other taxes to manufacture-cum-exporters against an indemnity bond or post-dated cheque covering duties and tax liability on the input goods to be procured under clause (I) of sub-rule (1) , if the Collector is satisfied as to the bona fides of the applicant.
- (3) The Collector of Customs shall allow the delivery of input goods without payment of any duties and other taxes to commercial exporters against an irrevocable bank guarantee covering duty and tax liability on the input goods to be procured under clause (I) of sub-rule (1), if the Collector is satisfied as to the bona fides of an applicant.

export for the general class of product concerned corresponding to the PCT Chapter Headings stretching over the previous twenty-four months with a minimum export value in each of the two successive twelve months periods equivalent to five hundred thousand US dollars he shall be entitled to request approval for importation and domestic sourcing free of all duties and taxes of a quantity of inputs equivalent to the maximum export production requirements in any consecutive six month period in the previous twenty-four months. Such approval may be given without reference to particular confirmed export orders or letters of credit subject to the fulfillment of the provisions of clause (I) and appropriate indemnity bond or insurance guarantee; provided that there be no adverse or criminal record against him in the previous twenty-four months.

- (5) An indirect exporter making an application under these rules, in the form as set out in Appendix I, shall enter the approval number of application of a direct exporter with whom he must have a valid contract. On approval, the indirect exporter shall have the same duty suspension privileges as the direct exporter within the duty suspension allowance of the direct exporter. The direct exporter's entitlement to duty suspension shall be reduced to the extent of the entitlement of the indirect exporter.
- (6) An exporter may get his finished goods manufactured from anywhere in Pakistan.
- (7) Any input goods produced in excisable premises may be procured by an exporter without payment of excise duty against the AR prescribed under the Central Excise Rules, 1944. The prescribed AR shall stand discharged on production of an audited bill of export.
- (8) Any purchase of input goods from domestic suppliers by an exporter under these rules, being zero-rated shall be free of sales tax.

4. Utilization period of input goods :- The input goods shall be utilized in production and export within twelve months of the date of approval under rule 3, which period shall be automatically extended upon request, once only, up to a further period of six months on payment of one per cent per month of the f.o.b value of unfulfilled exports as per contract in clause (iii) of sub-rule (1) of rule 3 or one per cent per month of the value of unfulfilled exports during the six months period referred to in sub-rule (2) of rule 3. The utilization period shall, in no case, be extended beyond eighteen months.

5. Export of manufactured goods :- (1) An exporter shall file a separate bill of export for each consignment under these rules and all the formalities of processing and examination of export goods, for the time being in force, shall be observed.

- (2) A bill of export filed under sub-rule (1) shall be endorsed "Export under Duty and Tax Remission for Export Rules, 2001."
 - (3) Where locally produced input goods procured under sub-rule (6) of rule 3 are used in the production of finished goods a declaration to that effect shall be made on the bill of export.
 - (4) Exports under these rules shall be admissible to all countries except exports by land routes to Afghanistan and through Afghanistan to Central Asian Republics.
- 6. Unaccounted or unexported goods :-** If any exporter fails to give proper and documented account of the duty and tax free input goods or of the unexported finished goods manufactured therefrom to the auditors at the time of audit, the exporter shall be required to pay the duties, taxes and penalties leviable on such goods.
- 7. Destruction of goods :-** Any goods that are unfit for consumption or sale shall be allowed to be destroyed in such manner as may be specified by the controller of Customs.
- 8. Remission of duties and taxes :-** Subject to satisfaction of the Collector of Customs, the duties and taxes, if any, may be remitted in full in the cases when any goods are damaged or destroyed by unavoidable circumstances or for causes beyond the control of an exporter or when the goods are destroyed in accordance with rule 7. However, an insurance cover shall be provided by an exporter for the amount of duties and taxes leviable on input goods which may be released by Customs.

- 9. Records and documents :-** (1) An exporter shall keep and maintain at his place of business detailed books and records relating to the purchase, importation, stocks of goods, productions, packing, sales, shipping and exportation of all goods for a period of three years after the export of finished goods.
- (2) Separate books and records shall be maintained for stocks of imported goods, indirect imports and indirect exports from those maintained for domestic goods.
- (3) Every page in the records maintained under sub-rule (1) and (2) shall be initialed either by an authorized representative designated by a director of the company or owner himself.
- 10. Reconciliation statement :-** On the expiry of the period specified in rule 4, or earlier after export exporter shall file a reconciliation statement in the form as set out in Appendix-2 specifying the quantities of input goods used in the production of goods for export, the quantities exported, the input to output ratio relating to each export consignment. The quantity of input goods not used in the production of goods for export and the duties and taxes leviable thereon.
- 11. Post-exportation audit :-** The liability of an exporter to pay duty and taxes under these rules, as accepted under sub-rule (1) or (2) rule 3 shall be fully discharged subject to a post-exportation audit which shall be carried out and completed normally within a period of three months after the period specified in rule 4. The audit shall be a combined audit and shall cover all the duties and taxes for which the indemnity bond, bank guarantee or insurance cover has been filed.
- 12. Power to deny facility :-** In case of misuse of any facility under these rules by any manufacturer-cum-exporter or commercial exporter the facility may be denied on the recommendation of the respective Association.
- 13. Power to suspend :-** Application of these rules may be suspended by the Central Board of Revenue by notification in the official Gazette, in respect of any particular sector or group of products.
- 13. Repeal :-** The No Duty No Drawback Rules, 1998 are hereby repealed.