

GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE AND ECONOMIC AFFAIRS
NOTIFICATION

Islamabad, the 12th June,1998.

(CUSTOMS)

S.R.O.554(I)/98.- In exercise of the powers conferred by section 19 of the Customs Act,1969(IV of 1969), and clause (a) of sub-section (2) of section 13 of the Sales Tax Act,1990, and in supersession of its Notification No.S.R.O.424(I)/97, dated the 13th June,1997, the Federal Government is pleased to exempt such machinery ⁴[for which letters of credit are opened the 12th June,2004, and import is made upto the ^{5&6}30TH June,2005] from the customs-duties leviable under the First Schedule to the Customs Act, 1969 (IV of 1969), and sales tax chargeable thereon under the said Act as are not manufactured locally, imported for setting up a manufacturing unit or for the expansion, balancing, modernization and replacement of existing units in bond subject to the following conditions namely:-

- (i) The importer shall at the time of importation, by documents in his possession, satisfy the Collector of Customs that the machinery or spares have been imported for setting up a manufacturing unit in bond and shall furnish an indemnity bond in the form set out below to the extent of customs duty and sales tax exempted under this notification. The said indemnity bond shall be discharged on production of a certificate from the Assistant Collector, Customs and Central Excise, or in the case of a unit located in Azad Jammu and Kashmir or Northern Areas, from the Secretary, Kashmir Affairs and Northern Affairs Division or an officer authorized by him in this behalf to the effect that the machinery or spares as declared to the customs has been duly installed or used in the bonded premises and such other evidences as the Collector of Customs may require and after such inquiry as he deems fit in order to establish such installation. Officers of Customs having jurisdiction shall monitor the production and sales of output of the manufacturing unit in the local market and abroad and shall ensure that the conditions of the notification are duly complied with;
- (ii) the importer shall, at the time of importation of the machinery, furnish an undertaking to the Collector of Customs to abide by the conditions laid down in this notification failing which he shall pay the amount of customs-duty and sales tax due and make payment of any penalties that may be imposed in this behalf;
- (iii) the certificate of installation referred to in condition (i) shall be submitted to the Collector of Customs alongwith certificate from concerned Collectorate regarding realization of customs-duty and sales tax as a result of default as per condition(v) of this notification not later than one year from the date of filing of bill of entry for home consumption relating to such machinery or spares;
- (iv) the machinery or spares released under this notification shall not within a period of five years from the date of filing of bill of entry for home consumption relating thereto be used for any purpose or at any place other than for a manufacturing unit in bond. In case, this condition is violated the amount of customs-duty and sales tax exempted under this notification and such penalties as may be imposed in this behalf, shall be recovered under section 202 of the Customs Act,1969(IV of 1969); and
- (v) (a) export targets specified in the Table shall have to be achieved by industrial or manufacturing unit from the date of installation of the machinery or equipment and upto a period of five years, namely:-

TABLE

| Type of Unit (1) | Period (2) | Export Target (3) |
|---|------------------------|---|
| A. Leather footwear and engineering goods. | First three years | 20% of the value of their actual production. |
| | After three years | 50% of the value of their actual production. |
| B. Expansion of existing units. | First three years | 50% of additional capacity due to expansion. |
| | After three years | 60% of additional capacity due to expansion. |
| C. Others | First two years | 50% of the value of actual production. |
| | After two years | 60% of the value of actual production. |
| ² [D. Imports effected under Notification No. S.R.O.962(I)/90, dated the 12 th September, 1990, and Notification S.R.O.No.424(I)/97 dated the 13 th June,1997. | First tow years | 50% of the value of actual production. |
| | After succeeding three | 60% of the value of years.actual production.] |

- (b) An industrial unit which fails to achieve export targets specified above to the satisfaction of Collector of Customs. shall pay the whole of customs-duty and sales tax leviable at the time of importation of such machinery:

^{5,6&8}["Provided that in case an importer fails to achieve targets of exports as required under this Notification or under any other Notification, whether in force or rescinded, or opts to forego the benefit of duty concession at post import stage, he shall make payment of customs-duty at the rate of five per cent of the dutiable value ascertained at the time of import, which shall be considered as full and final discharge of the entire liabilities in this regard. This relief ¹⁰[can be availed with effect from the 1st October, 2005, and] shall however not entitle anyone to claim refund.]

¹¹[omitted]

Explanation.- For the purpose of this Notification:

- (i) Production year shall be deemed to start from the date on which the industrial unit starts commercial production;
- (ii) The expression "existing units" shall mean those units which are or have been set upon or before the date of issue of this notification; and
- (iii) For the purposes of this notification the expression "not manufactured locally" shall mean the goods which are not included in the list of locally manufactured goods in the General Order, issued by the Central Board of Revenue.
- ³[(iv) Machinery shall mean –
 - (a) machinery operated by power of any description, such as is used in industrial process;
 - (b) apparatus and appliances, including mertering and testing apparatus and appliances specially adapted for use in conjunction with machinery specified in sub-clause (a);
 - © mechanical and electrical control and transmission gear adapted for use of goods specified in sub-clause (a); and

- (d) component parts of machinery specified in sub-clauses (a) and (b), identifiable for use in or with such machinery.]

FORM

[See condition (i)]

(On appropriately stamped non-judicial paper)

THIS DEED OF INDEMNITY is made on the _____ date of _____ BETWEEN Messrs _____ having registered office at _____ (hereinafter called "the importers" which means and includes their successors, administrators, executors and assignees) of the one part, AND the President of Pakistan through the Collector of Customs _____ (hereinafter called the "Collector of Customs", of the other part.

WHEREAS the Federal Government, by its decision contained in Notification No. S.R.O. _____ - dated the _____ and subject to the conditions given in the said Notification, has been pleased to direct that such machinery or spares, as are not manufactured locally, shall be exempt from the whole of customs-duty and sales tax leviable thereon, if imported for setting up of a manufacturing unit, or for the expansion, balancing, modernization and replacement of existing units in accordance with the said notification.

AND WHEREAS M/S. _____ having registered office at _____ (hereinafter called the importers) have imported the machinery mentioned in the Schedule to this Bond for purposes of establishing a manufacturing unit in accordance with the conditions given in the said Notification;

NOW, THEREFOR, in consideration of the release of the machinery without recovery of leviable duty and taxes, the importers bind themselves to pay on demand to the Government of Pakistan the sum of Rs. _____ being the duty and taxes leviable on the machinery, if the importers fail -

- (i) to produce a certificate from Assistant Collector of Customs and Central Excise, Secretary, Kashmir Affairs Division or an officer authorized by him in this behalf, as the case may be, within one year from the date of the importation of the machinery, to the effect that the machinery has been installed in bond; and
- (ii) to produce such other evidence as the Collector of Customs may require to satisfy himself that the plant or machinery has been installed in accordance with the conditions of the said Notification.

The importers further agree and bind themselves that the amount covered by this Bond shall be recovered as arrears of customs duty under section 202 of the Customs Act, 1969 .

This Bond shall become void when the aforesaid certificate has been produced and the Collector of Customs is satisfied that the importers have fulfilled all the conditions of this Bond in the said Notification.

Signed by importers on this _____ day of _____ 199_____.

Managing Director
(Name and permanent address)

Collector of Customs
(On behalf of President)

Witness _____
(signature, name, designation and full address)

Witness _____
(signature, name, designation and full address).

Note: The bond shall be written on appropriate non-judicial stamp paper and shall be witnessed by a Government servant in BPS 16 or above, an Oath Commissioner, a Notary Public or an officer of a Scheduled Bank.

SCHEDULE OF MACHINERY

[C.No.6(25)/97-CB]

(**KHALIL MASOOD**)
Additional Secretary

As amended

| | | | | |
|-----|--------------------|---|-------|------------|
| 1. | S.R.O.732(I)/99, | - | dated | 12.06.1999 |
| 2. | S.R.O.354(I)/2002 | - | dated | 15.06.2002 |
| 3. | S.R.O.479(I)/2003 | - | dated | 07.06.2003 |
| 4. | S.R.O.452(I)/2004 | - | dated | 12.06.2004 |
| 5. | S.R.O.732(I)/2004 | - | dated | 28.08.2004 |
| 6. | S.R.O.573(I)/2005 | - | dated | 06.06.2005 |
| 7. | S.R.O.896(I)/2005 | - | dated | 30.08.2005 |
| 8. | S.R.O.897 (I)/2005 | - | dated | 30.08.2005 |
| 9. | S.R.O.579(I)/2006 | - | dated | 05.06.2006 |
| 10. | S.R.O.149(I)/2007 | - | dated | 24.02.2007 |
| 11. | S.R.O.493(I)/2007 | - | dated | 09.06.2007 |