

GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE, ECONOMIC AFFAIRS, STATISTICS AND REVENUE
(REVENUE DIVISION)

Islamabad, the 22nd June, 2006.

NOTIFICATION
(CUSTOMS)

S.R.O. 656(I)/2006. In exercise of the powers conferred by section 19 of the Customs Act, 1969 (IV of 1969), the Federal Government is pleased to exempt components (which include sub-components, components, sub-assemblies and assemblies but exclude consumables), imported in any kit form, ⁴[and direct materials] for assembly or manufacture of vehicles falling under Chapter 87 of the First Schedule to the said Act, from so much of customs duties, as specified in the said First Schedule, as are in excess of the rates specified in column (4) of the Table below, subject to the following conditions, namely:-

- (i) The importer is an assembler or manufacturer who has suitable in-house facilities as defined in 'Annex A' to this notification or the importer is in possession of a firm contract for the manufacture of specified goods with any other manufacturer having suitable in-house facilities and registered with Sales Tax Department for the manufacture of such goods, to manufacture road worthy vehicles according to the laid down standards and this fact has been ⁵[certified] by the Engineering Development Board (EDB) of Ministry of Industries ⁵[and Production];
- ⁴[(ia) the input output ratio of the items to be manufactured and total annual requirements of materials shall be determined by the Engineering Development Board (EDB) or by any other organization as the ⁵[Federal] Board of Revenue may authorize;"]
- (ib) the manufacturer-cum-importer, at the time of import of approved items, shall make a declaration on the Goods Declaration (GD) to the effect that the items have been imported in accordance with his entitlement for the manufacture of specified items. The manufacturer shall also declare that the imported items shall be consumed for the purpose of manufacture of the items within a period of one year;]
- (ii) the importer is registered under the Sales Tax Act, 1990 with the Sales Tax Department;
- (iii) the importer-cum-assembler or manufacturer shall submit hard and soft copy of list of components with parts numbers along with respective PCT headings intended to be imported by him to EDB as per 'Annex B'. The description of components and their parts numbers shall be in accordance with that given in the Service Manual ¹[/Parts Catalogue] of the vehicles. The EDB shall verify the list of components identified as aforesaid by the importer on the lists ⁴[and determine the CKD kit of each vehicle in accordance with the terms set out in the First Schedule of the Customs Act, 1969, and update ⁶[PACCS or One Customs System]]. The Customs department will release the consignments of components for assembly or manufacture of vehicles on the basis of lists (Part number and description) verified by EDB. Pending verification of lists by the EDB, the customs department may allow provisional release against "Corporate Guarantee" submitted by the importer-cum-assembler or manufacturer;
- (iv) the relevant customs authority shall check the declaration made by the importer-cum-assembler or manufacturer, in order to check its conformity with the lists verified in terms of condition (iii). In case there is any dispute or discrepancy, the importer shall be intimated forthwith and the matter shall be resolved expeditiously. If the importer so desires, pending such resolution, the consignments containing such disputed components shall be released against such "Corporate Guarantee" acceptable to the Collector of Customs. ⁵[omitted];
- ⁵[(iva) the importer-cum-assembler or manufacturer shall directly import the components as per the lists duly approved by the EDB or shall procure them from a sales tax registered local vendor, manufacturing such components and will maintain records accordingly;]
- (v) the ⁵[importer-cum-assembler or manufacturer] shall maintain records as prescribed ⁵[under Annexure B]. Such records along with reconciliation account of all inputs used in assembly or manufacture of vehicles shall be submitted to the EDB on an annual basis ⁶[latest by 15th August, each year, falling which, the manufacturing certificate of the firm shall not be revalidated];

- (vi) in case, the importer-cum-assembler or manufacturer fails to provide information as per conditions above to EDB or for any other reason to be recorded in writing, ⁵[the] EDB may get an audit conducted either by themselves or through designated persons or agency for this purpose to see if all the conditions of this notification are met. The findings of the Audit shall be communicated to the respective Collector of Customs. ⁴[For any] reason to be recorded in writing, the Collector of customs may get an audit conducted by any person or agency designated for this purpose to see if all the conditions of this notification are met. Failure to comply with the conditions of this notification will attract proceedings under relevant provisions of Customs Act, 1969 ⁵[(IV of 1969)];
- (vii) if upon Audit, the import or consumption of the components is not found in conformity with the conditions of this notification or the importer-cum-manufacturer fails to comply with other conditions of this notification, the Collector of Customs shall initiate proceedings for the recovery of exempted duties and taxes besides initiating penal action under the relevant provisions of law;
- (viii) the authorized officer of the Engineering Development Board shall furnish all relevant information online to ⁶[Customs Computerized System (PACCS) or One Customs System] as per 'Form A' (appended to this notification) against specific ⁵[omitted] ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969);
- (ix) the chief executive officer of the importing company or his duly authorized officer shall furnish all relevant information online to EDB as per "Form B" (appended to this notification)
- (x) ⁴[For shifting of quota debiting from paper based registers to ⁶[PACCS or One Customs System], following methodology shall be adopted, namely:-
- the EDB shall update ⁶[PACCS or One Customs System] regarding valid quotas issued under this notification;
 - ⁶[the clearance Collectorate maintaining quota register of each cleared quantity shall update PaCCS or One Customs System and debiting of the quota on paper shall cease henceforth and further clearance shall stop once the quota is exhausted, unless enhanced by EDB, for each item];
 - from then on the quota shall be debited on GD to GD basis. In case Goods Declaration is filed on ⁶[PACCS or One Customs System], quota shall be debited automatically. In case GD is filed in non-PACCS or One Customs system] environment, the Assistant Collector of the Customs Station shall update ⁶[PACCS or One Customs System] before allowing the GD out of charge of Customs;
 - all new quotas shall be allocated online by EDB on ⁶[PACCS or One Customs System] only]
- (xi) the manufacturer-cum-assembler of automotive vehicles enumerated at serial No. 6 of the Table ⁵[(except for Auto Rickshaw of heading 8703.2115)] shall sell the said vehicles to an NTN holder only and the record of the same shall be furnished to ⁵[FBR] or to any other designated person on monthly basis ⁶[; and.]
- ⁶(xii) in case of violation of any of the conditions of this notification, Engineering Development Board may suspend or not revalidate certificate for assembly or manufacture of vehicles and lists of importable components, pending removal of cause of suspension or finalization of audit, as the case may be;]

⁴[Explanation]- The expression "direct materials" means the material used in the direct consumption during the assembly ⁵[omitted] duly approved by the EDB.]

2. ⁶[Omitted].

3. This notification shall take effect on the 1st day of July, 2006.

⁶[TABLE

S.No.	Description of vehicles	Description of imported inputs	Rate of Duty
(1)	(2)	(3)	(4)
1.	Agriculture tractors of heading 87.01.	(i) Components for assembly/manufacture in any kit form	0%

		(ii)	Tyres / Tubes	20%
2.	Road tractors for semi-trailers and trailers (prime movers) of 280 HP and above falling under PCT heading 87.01.	(i)	Components for assembly/manufacture in any kit form	0%
		(ii)	Tyres / Tubes	20%
3.	Other tractors falling under PCT heading 87.01.	(i)	Components for assembly/manufacture in any kit form	10%
		(ii)	Tyres / Tubes	20%
4.	Vehicles (Non-CNG) of heading 87.02.	(i)	Components for assembly/manufacture in any kit form	5%
		(ii)	Tyres / Tubes	5%
5.	Vehicles (CNG Dedicated) of heading 87.02.	(i)	Components for assembly/manufacture in any kit form	0%
		(ii)	Tyres / Tubes	5%
6.	Motor cars and vehicles of heading 87.03 [excluding specially designed twin cabin type taxi of heading 8703.3227 and 4-Stroke Auto Rickshaw of heading 8703.2115].	(i)	Components for assembly/manufacture in any kit form	32.5%
		(ii)	Tyres / Tubes	25%
7.	Specially designed twin cabin type taxi of heading 8703.3227.	(i)	Components for assembly/manufacture in any kit form	5%
		(ii)	Tyres / Tubes	25%
8.	4-Stroke Auto Rickshaw of heading 8703.2115	(i)	Components for assembly/manufacture in any kit form	20%
		(ii)	Tyres / Tubes	25%
9.	Vehicles of g.v.w not exceeding 5 tons falling under PCT heading 87.04.	(i)	Components for assembly/manufacture in any kit form	20%
		(ii)	Tyres / Tubes	20%
10.	Vehicles of g.v.w exceeding 5 tons falling under PCT heading 87.04.	(i)	Components for assembly/manufacture in any kit form	10%
		(ii)	Tyres / Tubes	5%
11.	Vehicles of heading 87.11.	(i)	Components for assembly/manufacture in any kit form	15%
		(ii)	Tyres / Tubes	25%
12.	Trailer of heading 87.16		The following component for assembly/manufacture of trailers:-	5%
		(i)	Axle tube with brake without Hub and Drum.	
		(ii)	Pneumatic suspension.	
		(iii)	ABS system.	
		(iv)	King Pin.	
		(v)	Fifth wheel.	
		(vi)	Axle Complete	
		(vii)	Mechanical Suspension.	
		(viii)	ASR Brake system.	
		(ix)	Pintle Hook.	

(x) Wheel Rim (size 8.0x20).

13. Assembly kits of all the above categories to the number of their exported units subject to the following conditions:-
- (i) no duty drawback was claimed at the time of export;
 - (ii) The imported kits relate to the vehicle of same engine capacity as were exported; and
 - (iii) the importer makes a declaration in the bill of entry or goods declaration (GD) at the time of import that he intends to avail this facility and produces the following evidence of export; namely:-
 - (a) a copy of the bill of entry or goods declaration (GD) bearing examination report of customs;
 - (b) bill of lading; and
 - (c) foreign exchange repatriation certificate.
14. Materials for direct use, as are not manufactured locally, in the manufacture of vehicles listed at Sr. No. 1 to 12 above.

ANNEXURE A
[See clause (i)]

MINIMUM IN-HOUSE ASSEMBLING/ MANUFACTURING FACILITIES FOR ASSEMBLERS / MANUFACTURERS OF VEHICLES REQUIRED

1. Welding shop

Following equipment / facilities should be available for sub-assembly/ Assembly covering Under Body, Main Body, Shell Body, Engine Compartment etc.

- (a). Welding jigs;
- (b). Welding guns;
- (c). Welding transformers;
- (d). Hoists;
- (e). Necessary tools.

2. Paint shop

- (a). Booth for
 - Cleaning
 - Primer/ Pretreatment
 - Top Coat
- (b). Baking ovens

⁵[2a. For Engine Assy and Testing for Motorcycles and Motorbike Rickshaws of PCT Heading 87.11 and Agricultural Tractors of PCT heading 8701.9020, namely:-

- (a) Engine Assembly Line
- (b) Engine Testing]

3. Vehicles Final Assembly

- (a). Trim Line
 - (i) Sealer Pumps
 - (ii) Conveyors
 - (iii) Pneumatic Tools
 - (iv) Torque Wrenches
- (b). Chasis Line
 - (i) Central Lifter
 - (ii) Engine Docking Machine
 - (iii) Axle Lifting Machine
 - (iv) Wheel Subassembly
 - (v) Wheel Balancing
 - (vi) Pneumatic Tools
- (c). Final Line
 - (i) Coolant Feeder
 - (ii) Brake Bleeding Machine

4. Vehicles Performance Testing Facilities

- (a) Toe in Tester
- (b) Side Slip Tester
- (c) Brake Tester
- (d) Drum Tester
- (e) Turning radius
- (f) Headlight aiming tester
- (g) Shower tester

5. Inspection Equipments

⁴[ANNEXURE B
[See clause (iii)]]

VERIFICATION OF LISTS AS PER CLAUSE (III) AND RECORDS PRESCRIBED.

FORM- A

(To be filled in by the authorized officer of Engineering Development Board)

Header information									
Name of importer	NTN/STN of importer	Approval No.	Vehicle Name & Model	HS Code of vehicle in kit form	Batch ID	Quantity	Unit of Measurement	CD applicable rate	Country of origin

Detail of input goods (to be filled by the authorized officer of Engineering Development Board)							
Respective HS Code	Description ⁶ [as per parts list]	⁶ [Description as per 1 st Schedule to the Customs Act,1969]	Part No.	UOM	Quantity Per Unit	Total Quantity	Customs Duty rate (applicable) + Additional Customs Duty rate
1	2	3	4	5	6	7	8

Signature _____
Designation _____

NOTE:- In case of clearance through Customs Computerized System (PACCS), the above information shall be furnished on-line against a specific user I.D. and password obtained under section 155D of the Customs Act, 1969.

FORM- B
(To be filled in by the Chief Executive of the importing company)

Name & address of the Importer	NTN/STN
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Vehicle Name & Model	HS Code of vehicle in kit form	Batch ID	Quantity	Unit of Measurement	CD Rate applicable	Country of origin
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S.No	Respective PCT Heading	Description ⁶ [as per parts list]	Specifications of imported inputs	⁶ [Description as per First Schedule to the Customs Act,1969 (IV of 1969)]	Part No.	Applicable rate of duty + Additional Customs duty rate	Quantity	Unit Value	Unit of measure	Total value in Pak Rupees

CERTIFICATE.

It is certified that the description and quantity mentioned above are commensurate with the inputs requirement and as per Form-A duly verified by EDB. It is further certified that the above items shall not be used for any other purpose.

Signature of Chief Executive
Name of Chief Executive _____
N.I.C No. _____

Explanation.- the expression “Chief Executive” means –

- (a) owner of the firm, in case of sole proprietorship;
- (b) partner of firm having major share, in case of partnership firm;
- (c) chief executive officer or the Managing Director in case of limited company or multinational organization; or
- (d) Principal Officer in case of a foreign company.

Verification of Import Lists

List 1

Vehicle Name & Model:-

HS Code of Vehicle:-

S.No	Part Name ⁶ [as per parts list]	⁶ [Description as per 1 st Schedule to the Customs Act,1969]	Part No	Quantity per vehicle	Total Quantity	UOM	Respective HS Code	Rate of Custom duty
1	2	(2a)	3	4	5	6	7	8

List 2

S.No	Part Name ⁶ [as per parts list]	⁶ [Description as per 1 st Schedule to the Customs Act,1969]	Part No	Quantity per Vehicle	Total Quantity	UOM	Respective HS Code	Rate of Custom duty +Rate Of Additional Custom Duty
1	2	(2a)	3	4	5	6	7	8

Records to be maintained in respect of imported components

S.No	Part Name	Part No	Respective HS Code	Rate of Customs duty + Additional Custom Duty	Quantity Per Vehicle	Quantity					
						Opening Balance As on	Imported during The Year	Total available 7 + 8	Vehicles produced During the year (Units)	Consumed during the year	Closing Balance As on 9 - 11
1	2	3	4	5	6	7	8	9	10	11	12

⁵[Record to be maintained in respect of locally manufactured inputs from vendors]

S.No	Part Name	Part No	Quantity Per Vehicle	Opening balance	Purchased during the year	Name of Vendor	Quantity				
							Total available 5 + 6	Vehicles Produces During the year	Consumed During the year	Closing Balance 8 - 10	
1	2	3	4	5	6	7	8	9	10	11	

Record to be maintained in respect of in house manufacture of components

S.No	Part Name	Part No	Quantity Per vehicles	Opening Balance	Manufactured In-house	Quantity				
						Total available 5 + 6	Vehicles produced during the year	Consumed during the year	Closing Balance 7 - 9	
1	2	3	4	5	6	7	8	9	10"]	

[C.No.2(4)LI & T-III/2006 (Pt)-43/2006]

(SHAHID AHMAD)
Additional Secretary

As amended:

1. S.R.O.990(I)/2006 - dated 18.09.2006
2. S.R.O.1007(I)/2006 - dated 25.09.2006
3. S.R.O.1123(I)/2006 - dated 10.11.2006
4. S.R.O.496(I)/2007 - dated 09.06.2007
5. S.R.O.563(I)/2008 - dated 11.06.2008(w.e.f.12.06.2008)
6. S.R.O.490(I)/2009 - dated 13.06.2009(w.e.f.14.06.2009)