

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

Islamabad, the 22nd June, 2006.

NOTIFICATION
(CUSTOMS)

S.R.O. 655 (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 raw materials, sub-components, components and sub-assemblies, as are not manufactured locally, imported for the manufacture of components and assemblies as specified in Table-I below from so much of customs-duties leviable under the First Schedule to the said Act as are in excess of the rates specified in Schedule to the Table- I thereto, subject to the following conditions, namely: -

- (i) the importer-*cum*-manufacturer has suitable in-house facilities and registration with the Sales Tax Department for manufacture of such goods;
- (ii) the manufacturer-*cum*-importer, at the time of import of approved items, shall make a declaration on the bill of entry or 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;
- (iii) the input output ratios of items to be manufactured and total annual requirement of raw materials, sub-components, sub-assemblies and components shall be defined and determined by Engineering Development Board (EDB), or Input Output Co-efficient Organization or by any other organization as the Federal Board of Revenue may, by notification in the official Gazette, authorize;
- (iv) [Omitted]
- (v) the authorized officer of Engineering Development Board or Input Output Co-efficient Organization or other authorized organization shall furnish all relevant information including approved quota of items to be imported online to Customs Computerized System as per form 'A' (appended to this notification) against a specific user ID and password obtained under section 155D of the Customs Act, 1969, after reviewing or finalizing data required under condition (vi);
- (vi) the Chief officer of importing company or his authorized officer shall furnish all relevant information online to EDB or IOCO as per 'Form B,
- (vii) Omitted
- (viii) the manufacturer-*cum*-importer shall maintain records of the inputs and the goods manufactured from imported items in such form as may be prescribed by the Federal Board of Revenue or required under any other law for the time being in force;

- (ix) the manufacturer-*cum*-importer shall communicate to the concerned Collector of Customs in writing about the consumption of imported items within sixty days of consumption of goods. In case of non-consumption within one year from the date of import, the importer shall pay the customs-duty and other taxes involved or obtain extension from the Collector of Customs giving plausible reasons for a reasonable period;
- (ixa) the manufacturer-*cum*-importer shall provide information to the EDB or IOCO within forty-five days of the ending year as per Form-C, to this notification regarding,-
 - (a) the import, local procurement and consumption of all the input materials; and
 - (b) the production and supply of the components and assemblies.

The Input Output Ratio Certificate shall be revalidated only on receipt of aforesaid complete information

- (x) in case the manufacturer-*cum*-importer does not provide information regarding consumption or otherwise of the imported goods within a period of one year of import or such extended period as allowed by the Collector or if otherwise deemed necessary, the records of manufacturer-*cum*-importer shall be audited by any person or agency duly designated by the Engineering Development Board or Input Output Co-efficient Organization and Federal Board of Revenue. If upon audit, consumption of goods is not found satisfactory, the Collector of Customs shall initiate proceedings for the recovery of leviable customs-duty and other taxes besides penal action under the relevant provisions of the law in force; and.
- (xi) all those components or sub-assemblies as are chargeable to additional customs-duty under S.R.O. 693(I)/2006, dated the 1st July, 2006 in terms of sub-section (5) of section 18 of the Customs Act, 1969, (IV of 1969), shall not be eligible for the benefit of exemption under this notification, and
- ¹⁰(xia) **all components or sub-components or sub-assemblies shall not be eligible for the benefit of the exemption under this notification where IORC, as determined by EDB of IOCO, is less than 30% value addition for the manufacture of specified components or assemblies;**
- (xii) the importer-*cum*-manufacturer may also get manufactured any of the sub-component and component, from the raw materials mentioned in the Input Output Ratio Certificate (IORC) duly approved by EDB or IOCO, for the vehicles mentioned in Column 2 of the Table I below, from another manufacturer (sub-vendor), duly registered with Sales Tax department, having suitable in-house facility. In such case,
 - (a) the sub-vendor shall have a firm contract with the importer-*cum*-manufacturer;
 - (b) the importer-*cum*-manufacturer may provide the imported raw materials to the sub-vendor for the manufacture of sub-components and components for the vehicles mentioned in Column 2 of the Table below, for which Input Output Ratio is duly approved by EDB;

- (c) the sub-vendor shall not be entitled to import any of the raw materials under this SRO for manufacturing of sub-components and components to be supplied to the importer-cum-assembler or manufacturer;
 - (d) the sub-vendor after manufacturing the sub-components and components supply them only to the importer-cum-manufacturer with whom he held a firm contract; and
 - (e) the sub-vendor shall also maintain proper record of the raw materials consumed or utilized and sub-components and components supplied to the importer-cum-manufacturer
- (xii) in case of violation of any of the conditions of this notification, Engineering Development Board or Input Output Co-efficient Organization shall either suspend or not revalidate Input Output Ratio Certificate (IORC) for manufacture of components and assemblies, pending removal of cause of suspension or finalization of audit, as the case may be.
- xiii all the consignments imported under this notification shall only be cleared through Customs Computerized System.

Explanations: - For the purpose of this notification, -

(a) The expression “**Sub-component**” means an article manufactured by any process in which the raw material singly, or in combination with other materials, is converted into another distinct article or product for further use in the manufacture of a component or sub-assembly and includes castings and forgings (not necessarily with runners or risers) which have not been further processed including tubes, rods, sheets etc. cut to size and shape but not further worked;

(b) the expression “**component**” means an article machined, fabricated or manufactured by any process in which the sub-component singly or in combination with other materials is so changed, transformed or reshaped that it becomes capable of being put to use differently and distinctly; is normally not useful by itself and is not amenable to further disassembly; and

(c) the expression “**chief executive officer**” 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.

2. Mild steel bars, mild steel rods and mild steel wire rods shall not be entitled to exemption under this notification.

3. [Omitted]

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

TABLE

S. No.	Description of Vehicle	Raw materials	Sub-components	Components	Sub-assemblies
(1)	(2)	(3)	(4)	(5)	(6)
1.	Agricultural tractors of PCT heading 87.01	1%	1%	1%	1%
2.	Road tractors for Semi-trailers (Prime Movers) of 280 HP and above of PCT heading 87.01	1%	1%	1%	1%
3.	Road Tractors for semi-trailers(Prime Movers) less than 280 HP of PCT heading 87.01	1%	1%	1%	1%
4.	Vehicles of PCT heading 87.02	1%	10%	10%	15%
5.	Vehicle of PCT heading 87.03 (except 4-Stroke auto rickshaw PCT heading 8703.2115)	1%	10%	10%	20%
6.	4-Stroke auto rickshaw PCT heading 8703.2115	1%	10%	10%	20%
7.	Vehicles of g.v.w. not exceeding 5 tons of PCT heading 87.04 (except 3-Wheeler cargo loader of PCT heading 8704.3150)	1%	10%	10%	15%
8.	3- Wheeler cargo loader of PCT heading 8704.3150	1%	10%	10%	20%
9.	Vehicles of g.v.w. exceeding 5 tons of PCT heading 87.04	1%	10%	10%	15%
10.	Vehicles of PCT heading 87.11(except motorcycle rickshaw of PCT heading 8711.3020)	1%	10%	10%	¹⁰ 12.5%
11.	Motorcycle rickshaw of PCT heading 8711.3020	1%	10%	10%	20%
12.	Vehicles of PCT heading 87.12	1%	5%	10%	10%
13.	Other vehicles	1%	10%	10%	15%

Provided that the exemption of customs-duty under this notification on sub-components, components and sub-assemblies of vehicles specified in column (2) of the above Table shall also be admissible for automotive climate control equipment and automotive batteries meant for in-house use or supply to OEMs and assemblers or sale in the open market.

¹⁰**Provided further that the compressor PCT heading 8414.3020 for automotive vehicles may be considered as components attracting CD @ 10%.**

FORM-A
[See condition (v)]

(To be filled in by the authorized officer of Engineering Development Board or Input Output Co-efficient Organization)

Header information

Name of importer	NTN/STN of importer	Approval No.
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Details of input goods (to be filled by the authorized officer of Engineering Development Board [or Input Output Co-efficient Organization]⁹)

HS Code	Description	Grade & Specifications	Total Quantity allowed	UOM (Tariff)	Custom Duty rate (applicable)
(1)	(2)	(3)	(4)	(5)	(6)

Signature _____
Designation _____

FORM-B
[See condition (vi)]

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

Name & address of the Importer	NTN/STN
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S.No.	H.S. Code	Description	Grade & Specifications	Applicable rate of duty	Quantity		Unit Value	(Tariff) Unit of measure	Total value in Pak Rupees
					Per Unit	Nos. of Units			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

CERTIFICATE.

It is certified that the description and quantity mentioned above are commensurate with the inputs requirement and that the same are not manufactured locally. 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. _____]

Note.- In case of clearance through Customs Computerized System ⁶[(Omitted), 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.

⁶[FORM-C
[See condition (ixa)]

(To be filled in by the Chief Executive of the company)

Name of the Firm:

EDB [or IOCO]⁹- IOR Certificate No:

Date:

S. No.	Material with Size/ Grad	PCT Head	UOM	Qty of material imported	Bill of Entry (GD)	Stock (if	Total Qty (5+8)	Material Balance the Part manu	Vehicle / Mode	Units manu
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				during the year	No	Date							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A.	<u>Imported:-</u>												
	Raw materials												
	Sub-components												
	Components												
	Sub-assemblies												
B.	<u>Local:-</u>												
	Raw materials												
	Sub-components												
	Components												
	Sub-assemblies												

Statement of Purchase Orders and Delivery Challans

S. No.	Part Name	Part Number	Name of Customer / Dealer	Purchase Order			Supply Invoice			Sales Tax Paid Challan	
				No.	Date	Qty.	No.	Date	Qty.	No.	Date
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

[C.No.2(4)LI & T-III/2006 (Pt)-42/2006]

(SHAHID AHMAD)
Additional Secretary

As amended:

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|-----|---------------------|-------|-------------------------------|
| 1. | S.R.O.1122(I)/2006, | dated | 10.11.2006 |
| 2. | S.R.O.497(I)/2007 | dated | 09.06.2007 |
| 3. | S.R.O.562(I)/2008 | dated | 12.06.2008 (w.e.f.12.06.2008) |
| 4. | S.R.O.489(I)/2009 | dated | 13.06.2009(w.e.f.14.06.2009) |
| 5. | S.R.O.1401(I)/2012 | dated | 30.11.2012 |
| 6. | S.R.O.495(I)/2013 | dated | 12.06.2013 |
| 7. | S.R.O.482(I)/2016 | dated | 29.06.2016(w.e.f.01.07.2016) |
| 8. | S.R.O.558(I)/2017 | dated | 01.07.2017 |
| 9. | S.R.O.642(I)/2018 | dated | 24.05.2018 |
| 10. | S.R.O.836(I)/2021 | dated | 30.06.2021 |