

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

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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 <sup>1</sup>[, 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 by any other organization as the <sup>3</sup>[Federal Board of Revenue] may, by notification in the official Gazette, authorize;
- (iv) <sup>2</sup>[Omitted]
- (v) the authorized officer of Engineering Development Board or other authorized organization shall furnish all relevant information <sup>4</sup>[including approved quota of items to be imported] online to <sup>4</sup>[Customs Computerized System <sup>6</sup>[Omitted] as per form 'A' (appended to this notification) against a specific user ID and password obtained under section 155D of the Customs Act, 1969 <sup>4</sup>], after reviewing or finalizing data required under condition (vi)];
- <sup>2</sup>[(vi) the Chief officer of importing company or his authorized officer shall furnish all relevant information online to EDB as per 'Form B,
- (vii) <sup>6</sup>[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 <sup>3</sup>[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; <sup>1</sup>[omitted]
- <sup>4</sup>[(ixa) the manufacturer-*cum*-importer shall provide information to the EDB within forty-five days of the ending year <sup>6</sup>[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 and <sup>3</sup>[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 <sup>1</sup>[; and].
- (xi) all those components or sub-assemblies as are chargeable to additional customs-duty 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
- <sup>2&3</sup>[(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, 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]
- <sup>6</sup>[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. <sup>6</sup>[Omitted]
4. This notification shall take effect on the 1<sup>st</sup> day of July, 2006.

<sup>1</sup>[TABLE I  
Description of goods

Sub-components, components and sub-assemblies of automotive vehicles, automotive climate control equipment and automotive batteries meant for in-house use or supply to OEMs and assemblers or sale in the open market.

S.No.	Category	Rate of duty on raw materials	Rate of duty on sub-components	Rate of duty on sub-assemblies	Rate of duty on components
(1)	(2)	(3)	(4)	(5)	(6)
1	For Agricultural tractors of PCT 8701	0 %	0 %	0 %	0%
2	Road tractors for Semi-trailers (Prime Movers) of 280 HP and above of PCT Heading 8701	0 %	0 %	0 %	0%
3	Road Tractors for semi-trailers(Prime Movers) less than 280 HP of PCT heading 8701	0 %	0%	0%	0%
4	For fully CNG-dedicated vehicles of PCT heading 87.02	0 %	0 %	0 %	<sup>3</sup> [0%]
5	For vehicle of PCT 87.03	0 %	5 %	20 %	10%
6	For vehicles falling under PCT heading 87.02(Non-CNG) & 87.04	0 %	5 %	15 %	10%
7	For vehicles of PCT 87.1	0 %	05 %	20% <sup>5</sup> [but 15 % for motorcycles for a period of one year]	10% <sup>5</sup> [but 7.5% for motorcycles for a period of one year]
8.	For bicycles falling under PCT heading 87.12	0%	5%	10%	10%
9.	Other vehicles	0%	05%	15%	10%]

<sup>2</sup>[FORM-A  
[See condition (v)]

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

Header information					
Name of importer	NTN/STN of importer	Approval No.			

  

Details of input goods (to be filled by the authorized officer of Engineering Development Board)					
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							
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 <sup>6</sup>[(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.

<sup>6</sup>[FORM-C

[See condition (ixa)]

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

Name of the Firm: .....

EDB - IOR Certificate No: .....

Date: .....

S. No.	Description of material with Size / Grade & Specification	PCT Head	UOM	Qty of material imported during the year	Bill of Entry (GD)		Previous Stock (if any)	Total Qty (5+8)	Qty of material consumed	Balance	Name of the Part manufactured	Vehicle / Model	No. of Units manufactured.
					No.	Date							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)

**A. Imported:-**

Raw materials  
Sub-components  
Components  
Sub-assemblies

**B. Local:-**

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)I.I & T-III/2006 (Pt)-42/2006]

**(SHAHID AHMAD)**  
Additional Secretary

As amended:

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