

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 verified by the Engineering Development Board (EDB) of Ministry of Industries, Production and Special Initiatives;
- 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 Central 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 PACCS]. 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. The matter will be referred to the EDB for a ruling and the importer shall be entitled to make representations before the EDB;
- (v) the importer-cum-manufacturer shall maintain records as prescribed. 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;
- (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, 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;

- (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 Customs Computerized System (PACCS) as per 'Form A' (appended to this notification) against specific under 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 PACCS, following methodology shall be adopted, namely:-
 - (a) the EDB shall update PACCS regarding valid quotas issued under this notification;
 - (b) the clearance Collectorate maintaining quota registers shall update PACCS regarding already cleared quantities and quota debiting on paper registers shall stop thenceforth. This one-time exercise shall be undertaken immediately by the Customs Collectorates at the intimation from EDB;
 - (c) from then on the quota shall be debited on GD to GD basis. In case Goods Declaration is filed on PACCS, quota shall be debited automatically. In case GD is filed in non-PACCS environment, the Assistant Collector of the Customs Station shall update PACCS before allowing the GD out of charge of Customs;
 - (d) all new quotas shall be allocated online by EDB on PACCS only]
- (xi) the manufacturer-cum-assembler of automotive vehicles enumerated at serial No. 6 of the Table shall sell the said vehicles to an NTN holder only and the record of the same shall be furnished to CBR or to any other designated person on monthly basis.]

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

2. Tyres, tubes and rim flaps shall not be entitled to exemption under this notification.
3. This notification shall take effect on the 1st day of July, 2006.

TABLE

S.No (1)	Description of vehicles (2)	Description of imported inputs (3)	Rate of dt (4)
1	Agriculture tractors of heading 87.01	Components for assembly/ manufacture in any kit form	0%
2	Road tractors for semi-trailers and trailers (prime movers) of 280 HP and above falling under PCT heading 87.01.	Components for assembly/ manufacture in any kit form	0%
3	Other tractors falling under PCT heading 87.01.	Components for assembly/ manufacture in any kit form	10%
4	Vehicles (Non-CNG) of heading 87.02	Components for assembly/ manufacture in any kit form	5%
5	Vehicles (CNG Dedicated) of heading 87.02	Components for assembly/ manufacture in any kit form	0%

6	Motor cars and vehicles of heading 87.03 ² [excluding specially designed twin cabin type taxi of heading 8703.3227	Components for assembly/ Manufacture in any kit form	35%
6A.	Specially designed twin cabin type taxi of heading 8703.3227	Components for assembly/ manufacture in any kit form	5%]
7	Vehicles of g.v.w not exceeding 5 tons falling under ¹ [] PCT heading 87.04.	Components for assembly/ manufacture in any kit form	20%
8	Vehicles of g.v.w exceeding 5 tons falling under ¹ []PCT heading 87.04	Components for assembly/ manufacture in any kit form	10%
9	Vehicles of heading 87.11	Components for assembly/ manufacture in any kit form	⁴ [25%]
10.	Trailer of heading 87.16	The following component for assembly/ manufacture of trailers:	5 %
		(1) Axle tube with brake without Hub Drum. (2) Pneumatic suspension (3) ABS system (4) King Pin (5) Fifth wheel	
¹ [11.	Assembly kits of all the above categories To the number of their exported units Subject to the following conditions,	--	0%
⁴ [12.	Materials for direct use in the manufacture of vehicles listed at Sr. No. 1 to 10 above	-	0%]
	(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 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 export or goods declaration bearing examination of report of customs; (b) bill of lading ; and (c) foreign exchange repatriation certificate.]		

ANNEXURE A
[See clause (i)]

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

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

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	Approv al No.	Vehicle Name & Model	HS Code of vehicle in kit form	Batch ID	Quantity	Unit of Measuremen t	CD rate applicable

Detail of input goods (to be filled by the authorized officer of Engineering Development Board)						
Respective HS Code	Description	Part No.	UOM	Quantity Per Unit	Total Quantity	Customs Duty rate (applicable) + Additional Customs Duty rate
1	2	3	4	5	6	7

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	Opening Balance <i>As on</i>	Quantity				
							Imported during The Year	Total available 7 + 8	Vehicles produced During the year (Units)	Consumed during the year	Closing Balance <i>As on</i> 9 - 11
1	2	3	4	5	6	7	8	9	10	11	12

Record to be maintained in respect of locally procured components

S.No	Part Name	Part No	Quantity Per Vehicle	Opening balance	Locally purchased	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