

CUSTOM EPZ RULES

S.R.O.249 (1)/81. In exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), the Central Board of Revenue, in order to regulate and control import and export of goods into and from the Export Processing zones, is pleased to make the following rules, namely: –

Short title, extent and commencement

- These rules may be called the Customs Export Processing Zones Rules, 1981
- They shall apply to all Zones.
- They shall come into force at once.
- Definitions: In these rules, unless there is anything repugnant in the subject or context
- a. "Act" means the Customs Act, 1969 (IV of 1969)
- b. "Authority" means the Export Processing Zones Authority established under the Ordinance;
- c. "Collector of Customs" in relation to a Zone, means the Collector of Customs in whose jurisdiction such Zone is established;
- d. "import", in relation to a Zone, means import from abroad and includes goods introduced into a zone from the Tariff Area.
- e. "investor" and "industrial undertaking" shall have the same meaning as are respectively assigned to them in the Ordinance.

- f. "Ordinance" means the Export Processing Zones Authority Ordinance 1980 (IV of 1980);
- g. "Tariff Area" means any area in Pakistan outside the limits of a Zone; and
- h. "Zone" means such area as is declared by the Federal Government to be a Zone under the Ordinance.

Import of goods into the Zones

- 1. Subject to sub-rules (7) and (8), any goods can be imported into the Zones from abroad or from the Tariff Area.
- 2. A separate bill of entry in respect of goods imported for a zone along with other documents showing details of the goods as required under the Act and the rules made there under shall be presented to the customs authorities for assessment and clearance.
- 3. Goods imported into a Zone shall be assessed in accordance with the existing procedure.
- 4. The exemption granted under Board's Notification No. S.R.O.881 (1)/80, dated 23-08-1980, shall be applicable to machinery, equipment, materials to be used solely within the limits of a Zone and goods imported into the Zone for warehousing purposes: "Provided that investors in Exports Processing Zones shall be allowed to dispose of their machinery in tariff area after three years from the date of filing of the bill of entry of its import subject to import policy order and payment of duties and tax."
- 5. An investor or his licensed clearing agent duly approved and authorized by the Authority shall carry out necessary formalities regarding customs clearance.

- 6. All goods so cleared shall be secured and forwarded to the Zone under Customs supervision, a pass shall be sent with the goods specifying the name of the importer and the clearing agent, if any, number of vehicles, description and quantity of goods with the marks and numbers and contents thereof and, on receipt of the goods in the Zone, the officer of customs allowing the goods to enter the Zone shall retain the pass.
- 7. Admission of goods imported for a Zone shall not be refused except when the goods are liable to restrictions or prohibitions imposed on the grounds of public morality or order, public security, public hygiene or health or for veterinary or phyto-pathological considerations, or relating to the protection of patents, trademarks or copyrights.
- 8. Hazardous goods may be allowed to be admitted into a Zone only when an area specially designed for its storage is made available within the Zone.
- 9. Goods admitted to a Zone may remain there for such period as may be prescribed by the Authority.

Introduction of goods into the Zones from Tariff Area

- 1. Goods from the Tariff Area required for further processing in a Zone shall be admitted after completion of export formalities, which are normally observed for export out of the country.
- 2. Goods, which are entitled to exemption or repayment of customs duties and sales tax on exportation, shall qualify for such exemption or repayment immediately after these have been admitted into a Zone in accordance with the provisions of the Board's Notification No. S.R.O. 882(1)/80, dated the 23rd August 1980. Export of goods from the zone
- 1. Any goods removed from a Zone for exportation shall be exported under the export procedure as laid down in the Act and the rules made there under and

documentation shall be completed on the basis of exemption from duties and taxes under the Board's Notification No. S.R.O 881(1)/80 dated the 23rd August, 1980.

- 2. Goods cleared for export shall be secured and forwarded to the exporting station under Customs supervision, a pass shall be sent with the goods, specifying the name of the importer and the clearing agent, if any, number of vehicle, description and quantity of goods with the marks and numbers and contents thereof and, on receipt of the goods at the exporting station, the officer of customs allowing the export of goods shall retain the pass.
- 3. All customs formalities regarding removal of goods from the Tariff Area shall be completed at the main Customs Check post or any place within the Zone approved for this purpose by the Collector of Customs.
- 4. Export Processing Zones manufacturers shall be treated at par with the bonded manufacturers in tariff area.

Subs by SRO-627 (1)/2000 dated September 4, 2000. In sub-rule (4), for the full stop, at the end a colon shall be substituted and after sub-rule (4), amended as aforesaid, the following proviso shall be added, namely: Provided that investors in Exports Processing Zones shall be allowed to dispose of their machinery in tariff area after three years from date of filing of the bill of entry of its import subject to import policy order and payment of duties and tax."

1(4) Subs by SRO.142 (1)/88, dated 25-02-1988 for the following:- The exemption granted under the Board's Notification No. S.R.O. 881(1)/80, dated the 23rd August 1980, shall be restricted to machinery, equipment and materials to be used solely within the limits of a Zone.

Removal of goods from the zone to Tariff Area

- 1. Removal of Imported raw materials, imported goods in the same state and goods produced by investors in a zone to tariff area or for home consumption may be allowed subject to the import restrictions and formalities applicable to imports from abroad, Custom-duties and other taxes levied on imports in Tariff Area from the zone shall be the same as duties and taxes levied on similar import from abroad.
- 2. Any goods permitted by the aforesaid authority for entry into the Tariff Area under sub-rule (1) may be taken out of the Zone after fulfilling all the requirements prescribed under the Act and the rules made there under for the direct import from abroad into the Tariff Area
- 3. The point in time to be taken into consideration for the purpose of determination of value and the rate of duties and other taxes applicable on goods removed for home consumption shall be determined in accordance with the provisions of the Act and the rules made there under.

Sub by SRO- 627(1)/2000 dated September 4, 2000 In sub-rule (1), for the words "raw material" the words and comma "raw materials, imported goods in the same state" shall be substituted; 2[1] Subs by SRO 941(1)/97 dated 06-10-1997 for the followings: –

a. In Rule 6, for sub-rule (1) the following shall be substituted, namely: –

(i) Removal of goods produced by investors in a zone to tariff area for home consumption may be allowed, subject to the import restrictions and formalities applicable to imports from abroad, customs duties and other taxes levied on imports into tariff area from the zone shall be the same as duties and taxes levied on similar imports from abroad. And

b. In rule 3 for sub-rule (4) the following shall be substituted, namely: –

- - 4. The exemption granted under Board's Notification No. SRO 881(1)/80 dated 23-08-1980 shall be applicable to machinery, equipment materials

to be used solely within the limits of a zone and goods imported into the zone for warehousing purposes.

Subs by SRO 142(1)/88 dated 25-08-1988 for the following:

(a) In rule 6, sub-rule (1) the following shall be substituted, namely: –

(i) Removal of goods produced by investors in a zone to tariff area for home-consumption may be allowed by the Federal Government on project-to-project basis subject to the import restrictions and formalities applicable to imports from abroad. Provided that the investors of the KEPZ who went into production before the 1st October, 1984 may be allowed from that date to remove up to twenty percent (20%) of their products to tariff area for home consumption subject to the aforesaid import restriction and formalities: and

b. for sub-rule (4) the following shall be substituted, namely:

- 5. The goods produced in a zone and removal to tariff area for home consumption shall be chargeable to customs-duties in the state in which they enter the tariff area". Explanation: – The normal value of the goods manufactured in the EPZ on entry into the tariff area vice versa shall be assessed as per the provisions of section 25 of the Customs Act. 1969.
- 5i. The goods produced in a Zone and removed to Tariff Area for home consumption shall be chargeable to Customs duties in the state in which they enter into Tariff Area.
- 6. A Sub-Contracting for units of the Tariff Area: Units operating in a zone shall be allowed to undertake sub-contracting for units of the tariff area subject to payment of duty and taxes on value addition only and sales tax if chargeable on the value of supply with the prior permission of the Collector of Customs on such conditions, restrictions and limitations as may be prescribed in the Act or the rules made there under: Provided that in case of chargeability of central excise duty or sales tax, shall be collected in the same manner and time as if it were duty of Customs payable under the Customs Act 1969 (IV of 1969)"

- 7. Destruction: Any goods admitted to a Zone on having been rendered unfit for consumption may be allowed to be destroyed or rendered commercially valueless by an officer of Customs not below the rank of an Assistant Collector of Customs in such manner as may be prescribed by the Collector of Customs:

“Provided that manufacturer in Export Processing Zone is allowed to remove @3% of the total value of export, the defective or 'B' grade goods, waste, used packing materials, empty drums and cartons generated or produced in the Zone to tariff area on payment of duties and taxes.”

Unaccounted goods

If any importer fails to give proper account of the imported goods to the satisfaction of an officer of customs not below the rank of an Assistant Collector of Customs, the importer shall pay on demand an amount equal to the duties and taxes leviable thereon and shall also be liable to pay penalties imposed for such violation under the Act and the rules made there under.

Remission of duties: Subject to the satisfaction of the Collector of Customs, the duties and other taxes, if any, may be remitted in full or in part, as the case may be, in the following cases, namely: –

- (i) When any goods are damaged or destroyed by unavoidable circumstances or causes beyond the control of the importer or the owner;
- (ii) When the waste or refuse of the goods is destroyed in accordance with rule 8; and
- (iii) When goods imported are bonafide samples for study, testing or design.

Restriction on removal of goods from zone

- 1. No goods shall be taken out from any zone except as provided in rules 5, 6, 6A and 7 or for transfer to other zone or to Customs manufacturing bond in a Tariff Area or for Sub-Contracting in a Tariff Area and subject to prior permission of the Collector of Customs on such conditions, restrictions and limitations as may be

prescribed by him or as otherwise provided in the Act or the rules made hereunder.

Transfer of ownership

Transfer of ownership of goods admitted to a Zone may be allowed: Provided that retail sale of such goods shall not be allowed. Subs by SRO 627(1)/2000 dated September 4, 2000. In rule 7, for the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added namely: Provided that manufacturer in Export Processing Zone is allowed to remove @3% of the total value of export, the defective or 'B' grade goods, waste, used packing materials, empty drums and cartons generated or produced in the Zone to tariff area on payment of duties and taxes." Sub-rule 6 (1) as above was substituted by SRO 1096(1)/84 dated 24.12.1984 for the following: –

(a). Removal of goods from a zone for home consumption may be restricted to only such cases as may be authorized by the authority appointed by the Federal Government for the purpose. Sub-rule (4) the following shall be substituted, namely: The amount of duties and taxes chargeable on goods taken into home consumption after processing in a zone shall be limited to the duties and taxes applicable to the foreign goods utilized in the state in which they were introduced into the zone, plus where goods of national origin or goods imported against payment of import duties and taxes were utilized, the amount of any exemption or rebate of duties and other taxes granted at the time the goods were introduced into the zone."

Security of the Zone

- 1. Each zone shall be delimited and bounded with secured boundary fencing and suitable checkpoints may be established after approval of the Collector of Customs.
- 2. The construction of the check posts shall be carried out by the Authority in accordance with the layout plan approved by the Collector of Customs.

- 3. The Collector of Customs may impose restrictions on means of access to a zone and establish the hours of business.
- 4. The Collector of Customs may keep the means of access to a zone under permanent or intermittent supervision, and make spot checks on the goods introduced into the zone to ensure that these are subjected to only authorized operations and to see that no un-authorized goods have been introduced.

(C.No.9 (10)-SS (CB)/77.Vol.II) NASIR AHMED Secretary (Customs)