

GOVERNMENT OF PAKISTAN
MINISTRY OF INDUSTRIES
NOTIFICATION

Islamabad, 23rd September, 1981

EXPORT PROCESSING ZONES AUTHORITY RULES, 1981

S.R.O. 1058(1)/81.- In exercise of the powers conferred by section 26 of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980), the Federal Government is pleased to make the following rules, namely: –

1. **Short title and commencement.** – (1) these rules may be called the Export Processing Zones Authority Rules, 1981.
(2) They shall come into force at once.
2. **Definitions.-** In these rules, unless there is anything repugnant in the subject or context:
 - (i) “application” means an application to the Authority for setting up industrial undertaking in the Zones in such form as may be specified from time to time by the Authority;
[(ia) “foreign collaborator” means an investor, whether a foreigner or a non-resident citizen of Pakistan, who makes investment in a Zone in a joint venture with a resident citizen of Pakistan;
²[(iaa) “Controller of Insurance” has the same meaning as in the Insurance Act, 1938 (IV of 1938);
³[(ii) “foreign investment” means an investment made by foreigner and/or a non-resident citizen of Pakistan in form of cash, foreign exchange or equipment or in any other form approved by the Authority;
⁴[(iii) “foreign investor” means an investor who is not a citizen of Pakistan or is non-resident citizen of Pakistan or a company incorporated outside Pakistan by a foreign national and/or non-resident citizen of Pakistan;
⁵[(iiia) — “insurer” shall have the same meaning as in the Insurance Act, 1938 (IV of 1938).
[(iaa) Added by S.R.O. 580(I)/85, dated 09-06-1985.
[(iaa) Added by S.R.O. 857(1)782, elated 08-09-1982.
[(ii) Sub. by S.R.O. 165tKE)/89, dated 30-08-1989 for the following:

“foreign investment” means investment made by a foreigner in an industrial undertaking in a Zone, in the form of cash, foreign exchange, imported machinery or equipment, or in any other form approved by the Authority;

[(iii) Subs, by S.R.O. 165(KE)/89, dated 30-08-1989 for the following;

“Foreign Investor” means an investor who is not a citizen of Pakistan or a company incorporated outside Pakistan by foreigners;

[(iiia) Added by JS.R.O-857(I)/82, dated 08-08-1982

⁶[(iv) “Joint Venture” means an industrial enterprise set up with participation between foreign investors or between a foreign investor and a resident citizen of Pakistan or a company incorporated in Pakistan whose share in investment shall not exceed 40% of the total investment;

⁷[(v) “non-repatriable investment” means an investment in foreign currency which is purchased from the State Bank of Pakistan by a resident citizen of Pakistan or company incorporated in Pakistan on the condition that capital, dividends and profits shall not be repatriated outside Pakistan;

(vi) “Ordinance” means the Export Processing Zones Authority Ordinance, 1980 (IV of 1980);

(vii) “Registration” means registration of an investor with the Authority;

(viii) “Regulations” means regulations made by the Authority under section 27 of the Ordinance; and

(ix) “Scheme” means a scheme prepared under section 10 or framed under section 11 of the Ordinance.

3. **Eligibility.**- The following categories of persons shall be eligible to establish industrial undertaking in a Zone, namely:-

(1) a foreign investor;

⁸[(2) a foreign investor in collaboration with a resident citizen of Pakistan or a company incorporated in Pakistan;

[(3) a resident citizen of Pakistan or a company incorporated in Pakistan, being allowed to invest to the extent of one hundred percent out of his or, as the case may be, its own foreign exchange resources without constraining the foreign exchange reserves of Pakistan; or

At least sixty percent of the equity in an enterprise set up in a Zone, out of his own foreign exchange resources without constraining the foreign exchange resources of Pakistan and not more than forty percent of the equity through purchase of foreign exchange from the State Bank of Pakistan at the ongoing

rate, against surrender of local currency.

⁶[(iv) Sub. by SRO. 165(KE)/89, dated 30-08-1989 for the following:

"Joint venture" means an industrial enterprise set up with participation between foreign investors or between a foreign investor and a non-resident citizen of Pakistan with non-repatriable investment;

⁷[(v) a. Subs, by SRO. 165(KE)/89, dated 30-08-1989 for the following:

"non-repatriable investment" means an investment in foreign currency out of the earnings abroad by a non-resident citizen of Pakistan, who has not surrendered his Pakistan passport, on the condition that capital, dividends and profits would not be repatriated outside Pakistan; b. The words "in joint venture with a foreign investor" omitted by SRO.915(l)/92, dated 23-09-1992.

⁸[(2) Subs, by SRO. 165(KE)/89, dated 30-08-1989 for the following:

a foreign investor in collaboration with another foreign investor or a non-resident citizen of Pakistan with non-repatriable investment; and

^{*}[(3) Added by SRO.915(l)/92, dated 24-09-1992.

4. **Investment to be in foreign currency.**- All investments made in a Zone shall be in foreign convertible currency.
5. **Type of industries to be set-up etc.**-(l) Export oriented industries requiring sophisticated technology, advanced marketing arrangement, using local raw materials and labor shall be preferred.
 - (2) Industries which compete with similar export industries in the tariff area would normally not be allowed to be set up in the Zone.
 - (3) Supporting enterprises to provide essential services to industrial undertakings in the Zone shall be allowed to be set up.
 - (4) Consignment and distribution services for receiving and storing goods meant for export to foreign markets and to the tariff area subject to the provisions of national import policy shall be permitted.
 - (5) Industries manufacturing prohibited items, such as, narcotics, alcoholic drinks, armaments or those causing serious environmental pollution shall not be permitted to be established in the Zones.
6. **Application for setting up industrial undertaking.**- [(1) Investors desiring to establish an industrial undertaking in a Zone shall submit ^ (.....) their application to the Authority complete in all respect.

(2) Each application shall be accompanied by a non-refundable fee specified by the Authority from time to time.

7. **Power of the Authority to accept or reject any application.**- (l)The Authority may accept or reject any application without assigning any reasons.

(2) If the application is accepted, the Authority shall issue a letter of sanction to the investor containing the terms and conditions subject to which the sanctioned industry shall operate.

8. **Time for implementation of the sanction.**- On receiving the letter of sanction, the applicant shall be required to implement and complete the industry within the period specified in the letter of sanction failing which the sanction shall stand cancelled, provided the Authority may, for sufficient cause, extend the said period.¹⁰*(4) Subs, by SRO. 165fKE/89, dated 30-08-1989 for the following:*

Consignment and distribution services for receiving and storing foreign goods meant for

re-export shall be permitted. ¹¹1! 111 The words "twelve copies of" omitted by SRO 1287(l)/84, dated 26-12-1982.

9. **Registration.**- If an industrial undertaking is sanctioned for a Zone, the investor shall register himself or itself with the Authority before commencing work on the project or site by entering into an agreement in such form, as may be specified from time to time, by Authority containing the. General terms, conditions and procedure under which an industrial undertaking is sanctioned to operate in the Zone:

Provided that the Authority may exempt any investor from one or more of the general conditions laid down in the agreement.

[9.A **Power of the Authority to cancel sanction.**- If in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

10. **Issue of licenses to banks to open branches,** etc.-(l) Licenses for opening of branches in a Zone to banks may be issued by the State Bank of Pakistan hereafter in this rule and rule 11 referred to as the Bank:

- a. to foreign banks operating in Pakistan outside the licensing policy on merit; and
 - b. to Pakistani banks on merit.
2. The banks to whom licenses are issued under sub-rule(l) shall meet all preliminary expenses of opening of branches from their external resources.
 3. The Bank shall not allow the incorporation of any bank or subsidiaries thereof in a Zone.
 4. The branches of the banks opened in the Zones, hereafter in this rule and rule 11 referred to as branches, shall not be eligible for any financial assistance from the Bank.
 5. The branches may, in addition to the business of banking, engage in all at any of the forms of business enumerated in section 7 of the Banking Companies Ordinance, 1962 (LV11 of 1962).
 6. The banking statistics of the branches shall not form part of the banking statistics of Pakistan: Provided that the Bank may, with a view to obtaining statistical data about the operations of the branches, call such periodical returns from suet branches from time to time as it may think fit.

11. Dealings in foreign exchange, etc.-(1) The Bank may issue licenses to the branches for transacting foreign exchange business in the Zones.¹²[9.A Added by SRO. 1287(l)/82, Date 26-12-1982(2) The rules applicable to the import into, and export from, Pakistan of Pakistani currency shall apply to the import into, and export from, the Zones to the tariff area. (3) Foreign currency notes and other foreign currency instruments may be exported from the Zones to the tariff area. Provided that all such foreign currency notes shall, immediately after entry, be surrendered to an authorized dealer in the tariff area.(4) All imports into the Zones shall be paid for out of the importers own foreign exchange resources abroad without involving, either directly or indirectly, Pakistan resources.(5) imports into the Zones from the tariff area shall be deemed to be exports from Pakistan and imports into the tariff area from the Zones shall be deemed to be imports from abroad and shall be subject to the same conditions and restrictions as are applicable to similar imports from abroad.]3[11-
A Issue of licenses to Insurers to open branches, etc.-(l) Licenses for opening of branches in a Zone to an Insurer may be issued by the Authority: –

- a. to Pakistani insurers on the recommendations of the Standing Committee constituted under the Federal Government Resolution No, 12/11 /1973 Ins.2, dated the 8th December, 1 975; and
- b. to non-Pakistani insurers on the recommendations of the Controller of Insurance.

(2) The Insurers to whom licenses are issued under sub-rule (1) shall meet all preliminary expenses of opening of branches from their external resources and all expenses on the maintenance of such branches shall, be met either out of the earnings of these branches or from the insurers external resources.

(3) The Authority shall not allow the incorporation of any insurer or subsidiary thereof in a Zone.

M[11-B Furnishing of information report, return, etc.- All insurers operating in a Zone shall furnish information and submit returns or reports from time to time to the Controller of Insurance in the manner required by him in writing.

2. **Travel of Pakistanis, etc., in the Zones.-**(1) Pakistanis of occupant industries holding identity cards from a Zone's administration and proceeding on official visit shall pay the cost of the ticket in convertible foreign exchange. *13[11.A Added by SRO. 857(l)/82, dated 05-09-1982.*
14[11.B Added by SRO. 857(l)/82, dated 08-09-1982.(2) The expatriates employed by the occupant industries shall, in respect of their foreign travel both on private and official account, pay the cost of the ticket in convertible foreign exchange.
3. **Maintenance of accounts and credit facilities.-** (1) Persons resident of the tariff area shall not be permitted to maintain accounts with the branches of bank in the Zones.
 2. Foreign exchange funds of the enterprises may be kept with the banks in a Zone in any convertible currency.
 3. No industrial undertaking in a Zone shall be extended any credit facility out of Pakistan resources including financing by the Industrial Development Bank of Pakistan.
2. **Rebate of excise and customs duties for supplies to Zones.-** The normal excise and customs duties and other taxes leviable on raw materials, machinery, or

goods in the tariff area shall be eligible for rebate under the existing rules when supplied to a Zone.

3. **Facilities,-** (1) The Authority shall undertake to provide infrastructure facilities such as electricity, water, gas, telephone and telex which are considered necessary for efficient industrial operations in a Zone: Provided that the cost of providing such facilities shall be borne by industries set up in a Zone.
 2. The Authority may also provide to investors a list of contractors for providing necessary services such as stevedoring, movement of goods to and from a Zone, factory design and construction for their information and guidance.
 3. Postal, fire services, first aid station and medical centers shall be provided within a Zone.
 - ^(4) Supporting enterprises including banking, Insurance and such services as may be specified by the Federal Government from time to time shall also be Provided within a Zone.
4. **Exports.-** A development surcharge of 0.5% on the F.O.B. value of all goods exported from any Zone shall be payable to the Authority.
5. **Entry into and exit from a Zone.-**(1) Entry and exit of persons and goods into and from a Zone shall be in accordance with the regulations framed by the Authority. *U[(4) Added by SRO. 1287(1)/82, dated 26- J 2-1982. 16 Omitted by SRO. 165(KE)/89, dated 30-08- J 989\ for the following; in rule 16, the words "imported into or" shall be omitted.*(2) Payments for raw materials, machinery or goods and services purchased by a Zone investor from the tariff area shall be made in convertible foreign currency.
6. **Monetary transactions.-** All payments to labor, managerial staff and for services and facilities within a Zone shall be made in Pakistani rupees against the surrender of foreign exchange to an authorized bank or banks as may be designated by the Authority. ,
7. **Environmental pollution.-** Industries whose operation results in the creation of harmful affluent that cause environmental pollution shall be required to adopt such measures as are necessary for the proper treatment of the pollutants before they are disposed of.

8. **Cost of additional services.**- The Authority may impose such fees or charges for services which it may additionally provide from time to time in connection with-
 - b. development and maintenance of public utilities and installations;
 - c. measures for maintenance of environmental, sanitation and public safety; and
 - d. such other related services which the Authority may deem necessary.
2. **Suspension and cessation of operations.**- (1) If an industrial undertaking in a Zone decides to cease or suspend its registered operations, a written notice thereof shall be sent to the Authority before the decision is implemented.
(2) Subject to the provisions of the relevant laws and the rights of mortgage creditors, the cessation of business operations shall have the effect of automatically canceling the certificate of registration upon which the industrial undertaking shall cease to be entitled to the incentives provided for it.
3. **Employment of foreign nationals.**- (1) An investor may employ foreign nationals for which an application shall be made in the form prescribed by the Authority.
 2. A foreign national employed under sub-rule (1) shall be granted an initial term of employment of three years, extendable from year to year.
 3. Request for further extension shall be filed with Authority at least thirty days before the expiry date of the authorized stay.
2. **Exclusion of items detrimental to public health & safety.**- The Authority may at any time, order the exclusion from a Zone of such goods, chemicals, materials, processes or operations which in its judgment are detrimental to the public interest, health or safety.
3. **Privilege of the Authority to call for reports.**- The Authority may order any industrial undertaking or its supporting enterprise to report on the following particulars, namely:-
 - (i) Monthly report on manufacturing process or assembly of commodities;
 - (ii) Monthly report on commodity import and export;Status of arrival of commodities imported into the Zone;

- (iv) Suspension of business operation for over one month;
- (v) Any other information which is considered necessary by the Authority concerning the business activities of the industrial

undertaking and its supporting enterprise.¹⁷[24.A **Change in incentive**

package.- Change in the incentive package, under which an investment has been sanctioned in a Zone, shall not be made except where such change is more advantageous to the investor and is also accepted by him.

4. **General Provisions.** – (1) The Authority may, from time to time issue memoranda and circulars to implement the provisions of these rules, regulations and schemes
- (2) The Authority may, with the approval of the Federal Government set up an Advisory Committee for the Authority which may include representatives of the private sector.

HASINUDDIN AQUIL

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