

# Export Facilitation Schemes

1. Manufacturing Bonds (MBs)
2. Export Oriented Units (EOUs)
3. Duty and Tax Remission for Export Scheme (DTRE)
4. Temporary Importation Scheme
5. Export Processing Zones (EPZs)

# **Benefits of Export Facilitation Schemes**

- Duties and taxes on imported goods which are used for goods to be exported are exempt from payment of duties and taxes against certain conditions.
- Manufacturers-cum-exporters as well as commercial exporters can avail these schemes.
- All processes from filing of export application to the stage of final export, have been automated and without human interaction.

## **Manufacturing Bonds Scheme:** **Chapter XV of Custom Rules, 2001**

- The scheme allows manufacturer-cum-exporters to import duty free inputs for subsequent export of value added products.
- Licensee is required to operate in a licensed customs bonded area.
- The licensee is required to obtain a certificate called “Analysis Certificate” which allows him to import duty free inputs as per Analysis Certificate. Application of this certificate is also filed on line and approval granted online.
- To further facilitate exporters under this scheme, up to 40 per cent of manufactured goods can be sold in the local market after payment of duty and taxes.
- Manufacture has the facility to check any time the status of his imported materials, balance quantities and the quantity of goods already exported.

## Export Oriented Unit Scheme (EOU) and SME Rules, SRO 327(I)/2008

- EOU scheme is most frequently availed by manufactures cum exporters.
- This schemes, not only allows import of duty and tax free input materials but also allows duty and tax free import of plant, machinery, equipment, apparatus, including capital goods.
- This scheme also allows raw materials, accessories, sub-components, components, assemblies, sub-assemblies, coal, diesel, gas, furnace oil, coke of coal and carbon blocks used in the manufacture of output goods.
- All types of input and output ratios are made available online, resultantly credit and debit of material is also online which greatly facilitates exporters at the time of import/export.
- Exporters can engage the services of vendors.
- Exporters can supply their goods to other exporters availing other export facilitation schemes like EOU, Manufacturing Bond and DTRE.
- To further facilitate exporters under this scheme, up to 20 per cent of manufactured goods can be sold in the local market after payment of duty and taxes.

**Duty & Tax Remission for Exports (DTRE) Scheme:**  
**Sub Chapter VII of Chapter XII of Custom Rules, 2001**

- This facility is available on imported inputs, locally purchased duty/tax-paid goods and taxable/excisable services including gas, electricity, diesel, furnace oil, coal and cock of coal.
- This scheme can be availed by wide number of businessmen i.e. Sales Tax registered exporters, commercial exporters, contracted vendors of foreign manufacturers and persons engaged in value-addition in export goods and also covers supplies made against international tenders, EPZs, projects entitled to duty/tax-free inputs and supplies made by indirect to direct exporters.
- All functionalities have been made available online.

# **Temporary Importation Scheme**

## **SRO 492(I)/2009**

- This scheme entails suspension/exemption from duties/taxes for import of accessories used for manufacture of exportable goods.
- This facility is also available to duty-free imports of components/sub-components for assembly of machinery, electrical/electronic equipment, bicycles, aluminium ware, steel ware, kitchen utensil, surgical instruments, toys, decorative items, stationery items, etc meant for exports.
- This schemes is the easiest as compared to other facilitation schemes.

**Export Processing Zones**  
**Sub Chapter 3 of Chapter XII of Custom Rules, 2001**

- The Export Processing Zones are established with the objective of boosting industrialization and augmenting country's exports by creating facilities for investors in order to enable them to set up export oriented units which would, as a consequence, create job opportunities, bring in new technology and know-how and attract foreign investment.
- All types of goods including machinery, equipment, materials can be imported duty and tax free. Local sales of up to 20 per cent has also been allowed.
- Investors at EPZ can avail facilities of vendors in the tariff area.

# **Salient Features of Export Facilitation Schemes**

# Manufacturing Bond Scheme

<b>Introduction</b>	A manufacturer-cum-exporter may establish a MB and import raw material used for the manufacture of finished goods without any payment of duty/taxes
<b>Who can apply</b>	Manufacturer-cum-exporter. [Rule 342(j)]
<b>Conditions for applying</b>	CNIC, Site plan, NTN, STRN, banker's certificate regarding financial transaction of applicant during last two years, a general bond, Memorandum and Articles of Association, lease or tenancy agreement, pay order in favour of collector equal to the establishment charges, if leviable under rule 349. [Rule 343]
<b>List for duty free imports</b>	Raw materials, accessories, sub components, components, sub-assemblies, assemblies, coal, diesel, gas, furnace oil and includes unrecorded media for development of software and recorded software used as tools for development of software

# Manufacturing Bond Scheme

<b>Security taken at the time of license.</b>	Pay Order [Rule 343(i)] for establishment charges
<b>Security taken at the time of import</b>	Indemnity Bond + PDC [Rule 355(3)]
<b>Security when discharged</b>	On the realization of foreign exchange as shown on Bank Credit Advice. [Rule 355(14)]
<b>Post exportation audit/checks in place.</b>	Periodical audit, at least once in a year [Rule 361]
<b>Export Target</b>	Minimum 60% [Rule 352(6)]
<b>zero rated local purchases</b>	Not allowed
<b>Local sale of raw materials</b>	Permissible for leftover stock in exceptional circumstances and subject to prior permission.

# Manufacturing Bond Scheme

<b>Local sale of finished goods</b>	upto 40% [Rule 352(6)]
<b>Utilization / retention period</b>	2 years (extendable upto further one year by Additional Collector) [Rule 350]
<b>Analysis Certificate</b>	Mandatory [Rule 351]
<b>Local sales of Factory rejects</b>	Permissible on payment of duty and taxes [Rule 352(9)]
<b>Local sale of wastages</b>	Permissible on payment of Sales Tax, FED [Rule 352(10)]

## Export Oriented Units Scheme

<b>Introduction</b>	This scheme promotes Small & Medium Enterprises (SMEs) in the country. Under this scheme, Export Oriented Units (EOUs) may import duty/ taxes free machinery and input raw materials for the subsequent use in exported goods.
<b>Who can apply</b>	Manufacturer-cum-exporter [Rule 2(d)]
<b>Conditions for applying</b>	CNIC, site plan, NTN, STRN, banker's certificate regarding financial transaction of applicant during last two years, insurance policy, Memorandum and Articles of Association, details of machinery installed etc, undertaking by insurance company that full premium under the aforesaid insurance policy has been duly received. [Rule 3]
<b>List for duty free imports</b>	Plant, machinery, equipment and apparatus, including capital goods to be used solely within the limits of an Export Oriented Unit and Raw materials, accessories, sub-components, components, assemblies, sub-assemblies, coal, diesel, gas, furnace oil, coke of coal and carbon blocks used in the manufacture of output goods. [Rule 2(f), Rule 10(e)]

## Export Oriented Units Scheme

<b>Security taken at the time of license.</b>	Insurance Policy [Rule 3(i)]
<b>Security taken at the time of import</b>	Indemnity Bond + PDC [Rule 10(a)]
<b>Security when discharged</b>	After post exportation audit [Rule 14(2)]
<b>Post exportation audit/checks in place.</b>	Post-exportation audit is carried out and completed to the satisfaction of the Regulatory Authority at the end of every financial year. [Rule 14(3)]
<b>Export Target</b>	Minimum 80% [Rule 2(d)(i)]
<b>zero rated local purchases</b>	Not allowed [Rule 10(1)(b)(c) omitted]

## Export Oriented Units Scheme

<b>Local sale of raw materials</b>	Permissible to other licensee
<b>Local sale of finished goods</b>	upto 20% [Rule 2(d)(i)]
<b>Utilization / retention period</b>	2 Years for raw materials, further extendable by Chief Collector and 05 years retention period for machinery. [Rule 12]
<b>Analysis Certificate</b>	Mandatory [Rule 9)
<b>Local sales of Factory rejects</b>	Permissible on payment of duty and taxes [Rule 10(6)]
<b>Local sale of wastages</b>	Permissible on payment of sales tax, FED. [Rule 10(7)]

# Duty & Tax Remission for Exports (DTRE) Scheme

<b>Introduction</b>	The DTRE Scheme entails simple concept of no payment of duties/taxes at import stage.
<b>Who can apply</b>	Manufacturer as well as commercial exporters [Rule 297(2)(a)(i)]
<b>Conditions for applying</b>	name and address of exporter, manufacturing premises, NTN, Bill of Export, E-Forms, STRN [(Appendix-I)]
<b>List for duty free imports</b>	Raw materials including trims and accessories & services, electricity and gas, furnace or diesel oil, coal, coke of coal and carbon blocks for the generation of electricity. [Rule 296(i)]

## Duty & Tax Remission for Exports (DTRE) Scheme

<b>Security taken at the time of approval</b>	IB+PDC or BG and Corporate Guarantee as per category of applicant (Manufacturer / commercial exporter / corporate entity) [Rule 300(2)]
<b>Security taken at the time of import</b>	Nil
<b>Security when discharged</b>	After post exportation audit [Rule 307E]
<b>Post exportation audit/checks in place.</b>	Post exportation audit [Rule 307E]
<b>Export Target</b>	100% export

## Duty & Tax Remission for Exports (DTRE) Scheme

<b>Zero rated local purchases</b>	Allowed [Rule 304(2) of Customs Rule, 2001]
<b>Local sale of raw materials</b>	Permissible after payment of taxes [Rule 307A(2)©]
<b>Local sale of finished goods</b>	Permissible to other DTRE user [Rule 304A]
<b>Utilization / retention period</b>	1 year further extendable by Chief Collector [Rule 305]
<b>Analysis Certificate</b>	Application to Regulatory Authority [Rule 299(3)]
<b>Local sales of Factory rejects</b>	Permissible on payment of duty and taxes [Rule 307A(2)(e)]
<b>Local sale of wastages</b>	Permissible on payment of duty, sales tax and IT/WHT is charged for disposal of wastage. [Rule 307A(2)(e)]

## Temporary Importation Scheme: SRO 492(I)/2009

<b>Introduction</b>	The Schemes entails suspension/exemption from duties/taxes against securities on import of accessories used for manufacture and export of goods
<b>Who can apply</b>	Manufacturer-cum-exporter [under condition (i)]
<b>Conditions for applying</b>	Name and address of unit, NTN, STRN, station of import, value of goods exported in previous FY, description of imported inputs, description of goods to be exported. Input and output ratio. [Form]

## Temporary Importation Scheme: SRO 492(I)/2009

<b>List for duty free imports</b>	Only such goods as are capable of identification at the time of re-exportation and for operations specified except a few exceptions [under condition (v)]
<b>Security taken at the time of license.</b>	N.A
<b>Security taken at the time of import</b>	BG or Pay Order or IB+PDC [under condition (iii)]
<b>Security when discharged</b>	Submission of proof of export
<b>Post exportation audit/checks in place.</b>	Submission of proof of export

## Temporary Importation Scheme: SRO 492(I)/2009

<b>Export Target</b>	100% export
<b>Zero rated local purchases</b>	Not provided
<b>Local sale of raw materials</b>	Left over quantities allowed on duty taxes [under condition xviii]
<b>Local sale of finished goods</b>	Not specified
<b>Utilization / retention period</b>	18 months and further extendable by Chief Collector. [under condition (iv)]
<b>Analysis Certificate</b>	Not required
<b>Local sales of Factory rejects</b>	Not provided
<b>Local sale of wastages</b>	Not provided

## Export Processing Zones (EPZs)

<b>Introduction</b>	The EPZs are established with the objective of boosting industrialization and augmenting country's exports by creating facilities for investors in order to enable them to set up export oriented units. The goods imported into and exported from the EPZs are totally free of any duty and taxes.
<b>Who can apply</b>	Investors at EPZ [Rule 225(d)]
<b>Conditions for applying</b>	Nil
<b>List for duty free imports</b>	Machinery, equipment, materials to be used solely within the limits of a zone and goods imported into the zone for warehousing purposes, [Rule 226(4) and 226(10)(a)]

## Export Processing Zones (EPZs)

<b>Security taken at the time of license.</b>	No security required
<b>Security taken at the time of import</b>	Nil
<b>Security when discharged</b>	Nil
<b>Post exportation audit/checks in place.</b>	Annual Audit by the Customs [Rule 235B]
<b>Export Target</b>	Minimum 80% of value. [Rule 228(5)]

**Thank You**