

**VERSION - 10**

*(As amended vide SRO 610(I)/2015 dated 30th June, 2015)*

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

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Islamabad, the 7th August, 2004

**NOTIFICATION  
(CUSTOMS/SALES TAX)**

**S.R.O. 678(I)/2004.**-In exercise of the powers conferred by section 19 of the Customs Act, 1969 (IV of 1969), and clause (a) of sub-section (2) of section 3 of the Sales Tax Act, 1990, and in supersession of its Notification No. SRO 448(I)/2004, dated the 12<sup>th</sup> June 2004, the Federal Government is pleased to exempt, -

- (1) machinery, equipment, materials, specialized vehicles or vessels, <sup>1</sup>[\*\*\*], helicopters, aircraft, accessories, spares, chemicals and consumables, as are not manufactured locally, imported by the Exploration and Production (E&P) Companies, their contractors, <sup>2</sup>[\*\*\*] and service companies, from customs- duty in excess of five per cent ad valorem leviable under the First Schedule to the Customs Act, 1969 (IV of 1969), and the whole of sales tax leviable under the Sales Tax Act, 1990, on their import and subsequent supply, subject to the conditions specified under the caption “conditions with reference to clauses <sup>3</sup>[(1), (2) and (2a)]
- (2) machinery and equipment, as are not manufactured locally, imported by companies other than Exploration and Production Companies, from custom duty in excess of five per cent ad valorem leviable under the First Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions specified under the caption “conditions with reference to clauses <sup>4</sup>[(1), (2) and (2a)]
- <sup>5</sup>[(2a) plant, machinery and equipment <sup>6</sup>[including Floating Storage and Regasification Unit], as are not manufactured locally, imported by LNG developers or LNG TO/O, from customs-duty as is in excess of 5% ad valorem, leviable under the First Schedule to the Customs Act, 1969 (IV of 1969), and the whole of sales tax, subject to the conditions specified under the caption “conditions with reference to clauses [(1), (2) and (2a)]
- <sup>7</sup>[**Explanation.**-For the purposes of this clause, Floating Storage and Regasification Unit shall be deemed to be considered as plant, machinery and equipment of a Floating LNG Terminal;]
- (3) goods as mentioned in clauses (1) and (2) above, as are manufactured locally, imported by Exploration and Production Companies, their contractors, <sup>8</sup>[\*\*\*] and service companies, other petroleum and public sector companies as is in excess of ten per cent ad valorem leviable under the First Schedule to the Customs Act, 1969 (IV of 1969), <sup>9</sup>[\*\*\*] provided that goods imported by public sector companies shall be

1 The words, brackets and figures “pick-ups (4x4)” were omitted vide SRO 610(I)/2015, dated 30th June, 2015

2 The comma and words “, sub-contractors” were omitted vide SRO 610(I)/2015, dated 30th June, 2015

2 In clause (1), for the brackets, figures and word “(1) AND (2)”, at the end, the brackets, figures, comma and word “(1), (2) AND (2a)” were substituted vide SRO 437(I)/2006, dated 10th May, 2006

3. For the brackets, figures and word “(1) AND (2)”, at the end, the brackets, figures, comma and word “(1), (2) AND (2a)” were substituted vide SRO 437(I)/2006, dated 10th May, 2006

4. After Clause (2), new clause (2a) was inserted vide SRO 437(I)/2006, dated 10th May, 2006

6 Inserted vide SRO 337(I)/2015, dated 22nd April, 2015

7 Added vide SRO 337(I)/2015, dated 22nd April, 2015

8 The comma and words “, sub-contractors” were omitted vide SRO 610(I)/2015, dated 30th June, 2015

9. The words, letters, semicolon and commas “except X-mass trees, well-head and integral components and parts

subject to provisions of Notification No. S.R.O. 827(I)/2001, dated the 3rd December, 2001, except for projects wherein an investor or multinational company has a blocking vote. Components and parts of wellhead and X-mass tree if imported for their otherwise utilization will be allowed on payment of 10% customs duty on the basis of certification of respective E&P Company. However, items not manufactured locally shall remain subject to 5% customs duty. All items falling under this serial No. (3) shall also be exempt from whole of the sales tax if these are plant, machinery, equipment and proprietary spares of parent equipment <sup>10</sup>[provided such spares are] not manufactured locally.

- (4) raw materials and components, as are not manufactured locally, and are imported for use in the manufacture of goods specified in clauses (1) and (2), to be supplied to the petroleum sector companies as specified in the said Notification from whole of customs duty leviable under the First Schedule to the Customs Act, 1969 (IV of 1969), <sup>11</sup>[and the whole of sales tax leviable under the Sales Tax Act, 1990] subject to the conditions specified under the caption “conditions with reference to clause (4)”.

- <sup>12</sup> [(5) Two vehicles (Pajero/Toyota Land Cruiser etc), imported by Exploration And Production (E&P) Companies shall be exempt from whole of customs-duty while the 3rd and 4th vehicle shall be exempt from duty as is in excess of 10% and 25% respectively. Similarly one vehicle imported by Service Company shall be exempt from the whole of customs duty and their 2nd vehicle shall be exempt from duty as is in excess of 10% ad valorem; subject to the following conditions, namely:-

- (a) Life of the vehicle shall be five years unless sooner it is damaged to the extent that it cannot be used; and
- (b) For claiming replacement of any vehicle the vehicle required to be replaced shall be surrendered to the customs authority free of cost.]

#### CONDITIONS WITH REFERENCE TO CLAUSES <sup>13</sup>[(1), (2) AND (2a)]

Only such goods shall be entitled to the exemption under this notification as have been certified, for clause (1), by an E&P Company, and for clause (2), by a company other than an E&P company, for its own use or its contractors, <sup>14</sup>[\*\*\*] and service companies for its projects of oil and gas exploration and production, refinery, oil and gas pipeline, liquefied petroleum gas (LPG), compressed natural gas (CNG), <sup>15</sup>[Liquefied Natural Gas (LNG)] petroleum terminals, energy conservation, environment and safety controls;

- (i) the exemption available to E&P companies shall be admissible only to such E&P companies who hold permits, or licences, or leases or concession or production sharing agreement and who enter into supplemental agreements with Government of Pakistan;
- (ii) the importers shall maintain an account of all imports along with the relevant record

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*thereof which shall be exempted from so much of the customs-duty as is in excess of fifteen per cent ad valorem; imported by E&P Companies their contractors, sub-contractors and service companies,” were omitted vide SRO 478(I)/2011, dated 3<sup>rd</sup> June, 2011*

5. *In clause (3) after the word “equipment”, occurring for the second time, the words “provided such Spares are” were inserted vide SRO 571(I)/2005, dated 6th June, 2005*
6. *In clause (4), after the brackets, word and figures “(IV of 1969)” the words, comma and figure “and the whole of sales tax leviable under the Sales Tax Act, 1990” were inserted vide SRO 571(I)/2005, dated 6th June, 2005*
7. *After clause (4), new clause (5) was added vide SRO 571(I)/2005, dated 6th June, 2005*
8. *After clause (5), in the heading, for the brackets, figures and word “(1) and (2)”, the brackets, figures, comma and word “(1), (2) AND (2a)” were substituted Vide SRO 437(I)/2006, dated 10th May, 2006*
- 14 *The comma and words “, sub-contractors” were omitted vide SRO 610(I)/2015, dated 30th June, 2015*
9. *Under the heading “conditions with reference to clauses (1), (2) and (2a)”, in clause (1), After the brackets, letters and comma “(CNG),” the words, letters, brackets and comma “Liquefied Natural Gas (LNG),” were inserted vide SRO 437(I)/2006, dated 10th May, 2006*

as prescribed by the Customs Rules, 2001 and Sales Tax Act, 1990;

- (iii) in the event a dispute arises whether any item is entitled to exemption under this notification, the item will be immediately released by the Customs Department against a corporate guarantee valid for a period of nine months, extendable by the concerned Collector of Customs on time to time basis. A certificate from the relevant Regulatory Authority that the item is covered under this notification shall be given due consideration by the Customs Department towards finally resolving the dispute. Disputes regarding the local manufacturing only shall be resolved through the Engineering Development Board;
- (iv) In the event that an emergency condition occurs in connection with operations by a petroleum sector company which seriously endangers life or property of the operations of the project, the relevant Regulatory Authority shall declare an emergency and the operating company shall be allowed to import any item or items considered necessary by the said company to deal with the emergency under intimation to the Regulatory Authority without fulfilling such formalities as is likely to cause delay. Payment of duties and taxes, if any, will be paid upfront based on the calculations by the respective E&P Company of the declared value. Such payment can be made at the time of clearance in cash or by opening a current account with customs or by pay order or by a cheque issued by the respective E&P Company.
- (vi) items imported at concessionary rates which become surplus, scrap, junk, obsolete or otherwise shall be disposed of in the following manner, namely:-
  - (a) in the event an item other than vehicles is sold to another company in the petroleum sector no import duties shall be levied or charged. Otherwise, it shall be sold through a public tender and duties shall be recovered at the rate of ten per cent ad valorem of the sale proceeds;
  - (b) for vehicles there would be a minimum retention period of five years after which the vehicles may be disposed of in the manner provided in (a) above except that the full rate of import duties, net of any import duties already paid, shall be charged subject to an adjustment of depreciation at the rate of two per cent per month up to a maximum of twenty four months;
  - (c) vehicles can be surrendered at any time to the Government of Pakistan without payment of any import duties under intimation to the <sup>16</sup>[Federal] Board of Revenue; and
  - (d) items imported on payment of 5% customs duty ad valorem or above, which have been rendered scrap, with change in their physical status, composition or condition and PCT classification, will be dealt with as scrap and shall be chargeable to customs-duties and sales tax accordingly, at standard rates;
- (vii) all petroleum sector companies, corporations and organizations including their contractors <sup>17</sup>[\*\*\*] and service companies shall be entitled to import machinery, equipment, helicopters, aircrafts, drilling bits, drilling and seismic (on shore or off shore) vessels, drilling rigs, <sup>18</sup>[6x6 trucks which fall under PCT heading 87.04,] specialized vehicles which fall under PCT heading 87.05 including accessories and spares <sup>19</sup> [excluding those for current use] that are part of such vehicles and

10. For the word "Central", wherever occurring, the word "Federal" was Substituted vide SRO 558(I)/2008, dated 11th June, 2008

17. The comma and words " , sub-contractors " were omitted vide SRO 610(I)/2015 dated 30th June, 2015

11. Under the heading "conditions with reference to clauses (1), (2), and (2a)", in condition (vii), (a) after the word and comma "rigs," the words, figures, letters and comma "6x6 trucks which fall under PCT heading 87.04," were inserted vide SRO 875(I)/2007 dated 29th August, 2007

12. In condition (vii), under the caption "conditions with reference to clauses (1) AND (2), after the word "spares" the commas and words " , excluding those for current use," were inserted vide SRO 571(I)/2005, dated 6th

vessels <sup>20</sup>[ <sup>21</sup>[\*\*\*] ] for the purpose of construction, erection, exploration and production of petroleum projects on an import-cum-export basis without payment of duties and taxes against a corporate guarantee valid for a period of <sup>22</sup>[five] years equal to the value of import duties and taxes exempted, extendable by the Collector of Customs on time to time basis, if the importer has a definite contract. <sup>23</sup>[The concerned Collector shall allow extension for a further period, as deemed appropriate, on payment of one percent surcharge for each year on C & F value of the goods for which extension has been sought.] Should the goods etc., not be exported on the expiry of the project or transferred with the approval of the Collector of Customs to another petroleum project, or the period of stay has been extended by the Collector of Customs, then the company or their contractors <sup>24</sup>[\*\*\*] or service companies, as the case may be, shall be liable to pay duties and taxes chargeable at the time of import as per clauses (1), (2) and (3) above.

- (viii) Each importer or E&P company shall develop software within a period of one year from the date of issuance of said Notification and shall establish an online connection with the customs authorities for regulating the imports made under this notification.
- (ix) Any item imported under this notification may be exported for replacement or otherwise, repair, modification or renovation and may be re-imported by paying concessionary duty and taxes only as per serial (1) on the actual cost of repair, renovation or modification of the respective item(s).

#### CONDITIONS WITH REFERENCE TO CLAUSE (4) ABOVE

- (i) The manufacturer has suitable in-house facilities and registration with the Sales Tax Department for manufacture of such goods or the importer-cum-manufacturer is in possession of a firm contract for the manufacture of such goods with any other manufacturer having suitable in-house facilities and registered with Sales Tax Department for the manufacture of such goods;
- (ii) The manufacturer-cum-importer shall furnish to the Collector of Customs and Collector of Sales Tax the list of such goods that he is manufacturing or intends to manufacture along with the details of raw materials and components required for the manufacture of each item and the total <sup>25</sup>[anticipated] annual requirement of all such inputs;
- (iii) <sup>26</sup>[\*\*\*]
- (iv) The clearance of inputs shall be allowed through <sup>27</sup>[Karachi Custom House or Port Muhammad Bin Qasim or a part] nearest to the manufacturing unit;
- (v) the manufacturer-cum-importer shall, at the time of import of raw materials and components make a written declaration on the goods declaration to the effect that the

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- June, 2005*
- 13. *Under the heading "conditions with reference to clauses (1), (2), and (2a), after the word "vessels" occurring for the second time, the commas, words, figures and letters "and 6 x 6 trucks which fall under PCT heading 87.04," were inserted vide SRO 398(I)/2007, dated 17th May, 2007*
  - 14. *Under the heading "conditions with reference to clauses (1), (2), and (2a)", in condition (vii), (b) after the word "vessels", occurring for the second time, the commas, words, figures and letters ",and 6x6 trucks which fall under PCT heading 87.04," were omitted vide SRO 875(I)/2007 dated 29th August, 2007*
  - 22. *Substituted vide SRO 610(I)/2015, dated 30th June, 2015*
  - 23. *Added vide SRO 610(I)/2015, dated 30th June, 2015*
  - 24. *The words "or sub-contractors" were omitted vide SRO 610(I)/2015, dated 30th June, 2015*
  - 15. *In condition (ii), under the caption conditions with reference to clause (4), after the word "total" the word "anticipated" were inserted vide SRO 571(I)/2005 dated 6th June, 2005*
  - 16. *The condition (iii), under the caption conditions with reference to clause (4), and the entry relating was omitted vide SRO 571(I)/2005, dated 6th June, 2005*
  - 17. *In condition (iv), under the caption conditions with reference to clause (4), for the words "a Customs Collect orate" the words "Karachi Custom House or Port Muhammad Bin Qasim or a port" were substituted vide SRO 571(I)/2005, dated 6th June, 2005*

raw materials and components have been imported for manufacturing of goods to be supplied to the petroleum sector companies as specified in condition (i) under the caption "conditions with reference to clauses (1) and (2);

- (vi) the manufacturer cum importer shall maintain record of the inputs and the goods manufactured out of them in such form as may be prescribed by the <sup>28</sup>[Federal] Board of Revenue or required under any other law in force by the <sup>29</sup>[FBR];
- <sup>30</sup>[(vii) The manufacturer-cum-importer shall communicate to the concerned Collector of Customs in writing about the consumption of imported goods within one month of consumption. In case of non-consumption within a period of one year, extendable for another year by the concerned Collector, the importer shall pay the customs-duty and other taxes involved. The importer may however re-export the unconsumed portion during the validity period;]
- (viii) in case the manufacturer-cum-importer does not provide information regarding consumption or otherwise of the imported goods within a period of one hundred eighty days of import or such extended period as allowed by the Collector or if otherwise deemed necessary, the records of importer cum manufacturer shall be audited by the Duty Suspension Audit Organization (DSAO) or by any other person duly appointed by the Collector. 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 laws in force; and
- <sup>31</sup>[(ix) The manufacturer-cum-importer of goods shall furnish a delivery note duly supported with a corresponding purchase order from any petroleum sector companies as prescribed in clauses (1) and (2) of this notification.]

**Explanation.1.** The expression "not manufactured locally" shall mean the goods, which are not included in the list of locally manufactured goods, specified in the General Order, issued by the <sup>32</sup>[Federal] Board of Revenue. <sup>33</sup>[or, as the case may be, certified as such by the Engineering Development Board]

**Explanation.2.** Used and refurbished machinery, equipment, materials, specialized vehicles or vessels, their components and parts importable under this notification will be subject to the provisions of Import Trade and Procedures Order in effect.

**Explanation.3.** For the import of <sup>34</sup>[\*\*\*] <sup>35</sup>[or 6x6 trucks] a committee will be constituted for giving approval. It will comprise nominees of <sup>36</sup>[FBR] and Pakistan Petroleum Exploration and Production Companies Association.

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18. For the word "Central", wherever occurring, the word "Federal" was substituted vide SRO 558(I)/2008, dated 11th June, 2008
19. For the letters "CBR", wherever occurring, the letters "FBR" were substituted vide SRO 558(I)/2008, dated 11th June, 2008
20. For condition (vii), under the caption conditions with reference to clause (4) was substituted vide SRO 571(I)/2005, dated 6th June, 2005
21. For the condition (ix), under the caption conditions with reference to clause (4) was substituted vide SRO 571(I)/2005, dated 6th June, 2005
22. For the word "Central", wherever occurring, the word "Federal" was substituted vide SRO 558(I)/2008 dated, 11th June, 2008
33. In Explanation 1, after the word "Revenue", at the end, the words and commas "or, as the case may be, certified as such by the Engineering Development Board" were added vide SRO 1964(I)/2005, dated 20th October, 2005
34. The expression "4x4 single or double cabin pickup" was omitted vide SRO 610(I)/2015, dated 30th June, 2015
24. Under the heading "conditions with reference to clause (4) above", in Explanation 3, after the word "pickup" the words and figures "or 6x6 trucks" were inserted vide SRO 398(I)/2007, dated 17th May, 2007
25. For the letters "CBR", wherever occurring, the letters "FBR" were substituted vide SRO 558(I)/2008, dated 11th June, 2008.

[C. No. 1/10/Mach./2004]

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ADDITIONAL SECRETARY

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