

SRO 957(I)/2021 – THE EXPORT FACILITATION SCHEME

The Government through SRO 957(I)/2021 dated has lodged new Export Facilitation Scheme Salient features of this scheme are as under:-

- 1- It comes into operation with immediate effect.
- 2- All new permission for export facilitation will be issued under this scheme.
- 3- The users of existing schemes i.e. SRO 450(I)/2001 (Manufacturing Bonds).. SRO 327(I)/2008 Export Oriented Units and the DTRE will have to come under the new scheme as soon as they apply for new permission.
- 4- Existing Schemes will phase out completely in two years.
- 5- Categories of Users:
 - a. Category A: Manufacturers-cum-exporters with 60% or above exports of their total annual production in last two years (utilization period 60 months).
 - b. Category B: Manufacturers-cum-exporters with less than 60% total annual production being exported:
 - i. Category B1: Manufacturers-cum-exporters having more than 3 years of export history (utilization 48 m).
 - ii. Category B-2: Manufacturers-cum-exporters having less than 3 years export history (utilization 24 months).
 - c. Category C: Indirect exporter, commercial exporters and international toll manufacturers:
 - i. Category C1: Manufacturers having more than 3 years history of supplying to direct exporters or export as commercial exporter or international toll manufacturing (utilization period 48 months);
 - ii. Category C2: Manufacturers having less than 3 years history of supplying to direct exporters or export as commercial exporter or international toll manufacturing (utilization period 24 months).
 - d. All users of existing schemes i.e. SRO 450(I)/2001, DTRE, SRO 327(I)/2008 shall be eligible to be classified under respective category - based on good compliance record

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- e. New applicants with firm contract of export having no previous history will be classified as per claimed % of export – subject to review by the Regulatory Collector:

6- Following classes of exporters can benefit from new scheme:

- a. Persons registered under the Sales Tax Act, 1990, as manufacturer-cum-exporter, who make value-addition in the manufacture and export of goods, which shall not be less than ten per cent;
- b. Manufacturers who act or intend to act as contracted vendors of foreign principal as toll manufacturers;
- c. Commercial exporters;
- d. Persons registered under the Sales Tax Act, 1990, as manufacturer and operating as indirect exporters;
- e. Manufacturers including manufacturers of engineering goods who intend to supply against international tenders; and
- f. Common Export House:

7- Pre-requisites for availing this scheme:

- a. Export Performance for the past two years; and
- b. Firm Contract of Export.
- c. Applicants can apply on the basis of both the past performance and the form contract. Applicant having multiple contracts can apply for consolidated approval.

8- Required Documents:

- a. ISO Certificate if available;
- b. Ownership documents in case of self owned manufacturing facility;
- c. Lease agreement in case of rented manufacturing premises covering the utilization period;
- d. Ownership or lease agreement covering the entire utilization period of the office or business premises in case of commercial exporter;
- e. Copy of the contract/contracts or supply order, in case of contract based application and Toll Manufacturing, if applicable;
- f. Bank statement of last two years or from the date of inception of the entity;
- g. Export performance supported by a summary of foreign exchange realized through E Forms if applicable;
- h. List of installed plant and machinery in case of manufacturer-cum-exporter, indirect exporter and toll manufacturer;
- i. Approximate value of input goods;

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- j. Input-output ratio for manufacturing one unit of output goods; and
- k. Recommendation of respective Chamber of Commerce and Industries, respective trade association or Small and Medium Enterprises Development Authority (SMEDA) in case of small and medium enterprises.

9- Application Process:

- a. Through WeBOC /PSW – WeBOC/PSW will assign a unique number to application;
- b. The regulatory Collector will process applications of existing users having approved analysis certificates, within seven days;
- c. For existing users: new determination of input/output ratio to be referred to IOCO (within 30 days);
- d. New applicants – if input/output ratio exists – upload authorization – new cases to be referred within seven days to IOCO for capacity and input/output ratio (within 30 days);
- e. System to allow provisional 100% acquisition of goods based on input/output ratio declared if needful not done by IOCO in 30 days – subject to modification by IOCO
- f. Director IOCO to issue analysis certificate and may reduces the demanded authorization according to production capacity;
- g. Data bank of input/output ratios to be maintained;
- h. No rejection of application without SCN – review before Chief Collector/DG IOCO;
- i. 50% of quota to be allowed provisionally by system – to contract based applicants subject to final determination of capacity/ratio by IOCO/Regulatory Collector

10- Security Instrument Required:

- a. Category A: Indemnity bond as set out in Appendix-III and PDC;
- b. Category B1: Indemnity bond as set out in Appendix-III and PDC for manufacturer cum exporters with a self-owned manufacturing facility
- c. Revolving Insurance Guarantee covering their annual requirement, for Manufacturer-cum- exporters with a rented production facility;
- d. Category B2:
 - i. Revolving Insurance Guarantee for manufacturers with self-owned manufacturing facility covering their annual requirement,

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- ii. Revolving Bank Guarantee for manufacturers with rented production facility covering their annual requirement till three years benchmark is crossed and graduating to B1 category;
- e. Category C1:
 - i. Indemnity Bond as set out in Appendix-III and PDC for manufacturers with self-owned manufacturing facility and
 - ii. Revolving Insurance Guarantee for manufacturers with rented production facility and commercial exporters, covering their annual requirement; and
- f. Category C2:
 - i. Revolving Insurance Guarantee for manufacturers with a self-owned manufacturing facility and
 - ii. Revolving Bank Guarantee for manufacturers with rented production facility and commercial exporters, covering their annual requirement till three years benchmark is crossed and graduating to C1 category.

11- How to Procure Goods:

- a. Import free of Customs Duty/Sales Tax/WHT as per authorization – Authorization number to be indicated on GD;
- b. Purchase from:
 - i. Authorized users;
 - ii. Common Export House;
 - iii. Users of current schemes: SRO 450(I)/2001 dated 18-06-2001, DTRE, SRO 327(I)/2008 dated 29-03-2008
- c. (including banned and restricted items with the permission of Ministry of Commerce)
- d. Local Purchase Goods against zero rating invoice/without excise duty
- e. Local Purchase of Taxable/Excisable Services
- f. Engineering Goods (Chapter 72-96 of Tariff)
- g. Energy Sources for in house energy production or manufacturing process:
 - i. Coal/Coke of Coal
 - ii. Carbon Blocks
 - iii. Diesel/Furnace Oil/Gas
- h. All local procurement to be fed in WeBOC/PSW within 30days by the user;

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- i. Previously acquired materials may be used for new authorization with the permission of Collector who will feed such approval in WeBOC/PSW;
- j. Non feeding of local procurement in WeBOC/PSW shall result in suspension of authorization.

12- Acquisition of Plant and Machinery:

- a. Plant and Machinery can be imported without payment of duty and taxes – to be retained for five years;
- b. Spares can be imported without payment of duty and taxes – to be retained for two years.

13- What is Export:

- a. Supply of Goods:
 - i. Against Goods Declaration for export containing authorization number;
 - ii. By indirect exporter to direct exporter;
 - iii. Against international tenders for local supply or for supply abroad;
 - iv. To projects/sectors entitled to import/purchase such goods free of duties and taxes;
 - v. To EPZ/Gawadar Free Zone;
 - vi. Manufactured for export from input goods provided by foreign principal (toll manufacturing);

14- Domestic Sale:

- a. 20% of output goods on the payment of duty and taxes on filing GD
- b. Exceeding 20% – on payment of duty and taxes + surcharge @ KIBOR+3% per annum on the value of input goods used in output goods;
- c. Factory rejects or B grade goods – on payment of duty and taxes as if goods are imported in that condition;
- d. Wastage allowed only as per analysis certificate;
- e. No duty and taxes on wastage allowed if destroyed in the presence of AC or FED/Sales Tax paid on its removal – information to be uploaded in WeBOC/PSW;
- f. Wastage exceeding allowed limit may be sold in local market on payment of duty and taxes on input goods + KIBOR+3% per annum.

15- Un-used Input Goods:

- a. Can be forwarded to next year on submission of reconciliation statement;
- b. Can be transferred to another authorized user;

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- c. Can be sold in the local market after expiry of utilization period on the payment of duty and taxes + surcharge @ KIBOR+3% of the value;
- d. Can be re-exported;
- e. Can be destroyed if unfit for consumption/sale.
- f. With the approval of regulatory Collector, can be transferred to another user;
- g. Can be destroyed if not fit for consumption or sale;
- h. The Collector will accordingly reduce the value/quantity of output goods in WeBOC/PSW.

16- Record and Document to be kept:

- a. Copies of applications and approvals;
- b. Records of acquisitions of input goods and exports;
- c. Record for destruction or another authorized disposal of input goods and output goods;
- d. Export contracts or orders and supply contracts or orders;
- e. Bank statements;
- f. Record of transfer or acquisition of goods to and from other exporters or users;
- g. Ancillary record.

17- Reconciliation and Audit:

- a. Reconciliation statement annually (Appendix-IV) showing :
 - i. Input goods acquired and output goods exported
 - ii. Domestic sale - Wastage and its disposal
- b. Category A users within 30days of the end of year;
- c. Category B and C users after every six months.
- d. PCA to conduct Audit