PART VII: RKC SPECIFIC ANNEX F
(Updated August 2014)

Introduction to Specific Annex F

Annex F deals with the relief of duties and taxes relating to goods which are processed or repaired and is divided into four chapters: Inward Processing, Outward Processing, Drawback and Processing of Goods for Home Consumption. The Government of Pakistan has not yet acceded to any of the standards or recommended practices of Annex F. Table 15 summarizes the subject matter and number of standards covered by each chapter of Annex F.

Table 15: Specific Annex F

Ch. No.	Subject	Standards	Transitional Standards	Recommended Practices	Total
1	Inward Processing	13		13	26
2	Outward Processing	11		7	18
3	Drawback	4		6	10
4	Processing Goods for Home Use	8		1	9
Total		**36**		**27**	**63**

And Table 16 summarizes the overall results of the compliance assessments for each chapter of Annex F, using the scoring system described in Table 1, which may be found in the Executive Summary.

Table 16

Ch. No.	Category	Compliant	Substantially Compliant	Partially Compliant	Marginally Complaint	Non-Compliant	NA	Total
1.	Standards	12	-	4	-	-	1	17
	Recommended Practices	5	1	-	-	3	-	9
2	Definitions	-	-	-	-	2	-	2
	Standards	-	-	-	-	9	2	11
	Recommended Practices	-	-	-	1	6	-	7
3	Definitions	2	-	-	-	-	-	2
	Standards	3	-	-	-	1	-	4
	Recommended Practices	3	-	1	-	2	-	6
4	Definitions	1	-	-	-	-	-	1
	Standards	2	3	-	-	2	1	8
	Recommended Practices	-	-	-	-	1	-	1
Total		**25 + 3**	**4**	**5**	**1**	**24 +2**	**4**	**63 +5**[1]

[1] This chart includes five definitions which have been included as compliant or non-compliant. As these are not standards, these have been shown separately, e.g. 25+3 in the first column which refers to compliant standards. 25 represent the standards and 3 represent definitions.

As indicated by Table 16, the gap analysis has determined that Pakistan's customs regime appears to be in full compliance with approximately 41% of the definitions, standards and recommended practices of Specific Annex F. A further 8% of the definitions, standards and recommended practices are not applicable to Pakistan's customs regime. The area of greatest non-compliance is Chapter 2 – outward processing; Pakistan does not operate an outward processing regime. With respect to a standard or recommended practice that has been identified as presenting compliance issues, recommendations are made in the individual assessment for that standard or recommended practice with respect to measures that may be taken to bring the customs regime into compliance. Many of those recommendations relate to suggested changes in national legislation; and others relate to suggested modifications to customs practice, which will require some type of training for the concerned customs personnel.

Chapter 1: Inward Processing

The Customs procedure of inward processing provides for conditional relief from import duties and taxes for goods that are to be exported after having undergone specified manufacturing, processing or repair. The main purpose of the inward processing procedure is to make it possible for national enterprises to offer their products or services on foreign markets at competitive prices, thereby promoting economic growth and helping to provide more employment opportunities for national labor.

Inward processing is not the only Customs procedure or practice to grant tax concessions on imported goods which are to be processed before re-exportation. The use of the drawback procedure or free zones is also applicable in this context.

Principles

1. Standard	Inward processing shall be governed by the provisions of this Chapter and, insofar as applicable, by the provisions of the General Annex.

Overall Assessment: Not Applicable

Relevant Law: Not Applicable

Discussion:
Introductory note: Standard 1 mandates that the definitions, standards and recommended practices in Chapter 1 of Specific Annex F shall apply to inward processing. Standard 1 also provides that the definitions, standards and transitional standards of the General Annex shall apply *insofar as applicable* to inward processing.

Standard 1 does not establish a requirement that a national customs regime must comply with. It only defines the scope of application of the definitions, standards and recommended practices of Chapter 1 of Specific Annex F. Therefore, it is not possible to provide an overall compliance assessment rating with respect to this standard.

The balance of this chapter contains an assessment, on a standard-by-standard basis, of the extent to which Pakistan's customs regime (its national legislation and practices) complies with the standards and recommended practices established by the RKC's Specific Annex F. When assessing the degree of compliance with any such standard or recommended practice, this report will - whenever relevant - refer to the requirements of Standard 1 within the context of the concerned individual compliance assessment.

Conclusion: Specific compliance issues with respect to Standard 1 are identified throughout this report in the context of the individual compliance assessments done with respect to the substantive standards and recommended practices of the RKC whenever Standard 1 is also implicated.

Recommendation: Similarly, specific recommendations that relate to Standard 1 are provided throughout this report in the context of those individual assessments whenever compliance with Standard 1 is also implicated.

2. Standard	Goods admitted for inward processing shall be afforded total conditional relief from import duties and taxes. However, import duties and taxes may be collected on any products, including waste, deriving from the processing or manufacturing of goods admitted for inward processing that are not exported or treated in such a way as to render them commercially valueless.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969, section 21.
- The Customs Rules, 2001, Rules 302, 305 and 307A(2)(c).

Discussion:

Law: Under section 21 of the Customs Act relief from duties is admissible to goods which are temporarily imported and intended to be exported, subject to such conditions, limitations or restrictions as FBR may impose.

Rule 302 provides that A DTRE user shall be entitled to acquire input goods without payment of customs duty, excise duty, sales tax or withholding tax in accordance with his DTRE approval. Rule 305 provides that the input goods acquired under this sub-chapter shall be utilized in the manufacture and export of output goods within twelve months from the date of approval of DTRE application. Rule 307A(2) permits output goods that are not exported to be sold domestically subject to payment of duties and taxes, except waste. Any waste produced from the manufacturing process is accounted for by the use of Input Output rations under Rule 299.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard; i.e. import duties and taxes are collected on any products, including waste, deriving from the processing or manufacturing of goods admitted for inward processing that are not exported or treated in such a way as to render them commercially valueless.

Resource Persons:

- Mr. Fateh Muhammad Shakh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

3. Standard	Inward processing shall not be limited to goods imported directly from abroad, but shall also be granted for goods already placed under another Customs procedure.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001, rules 296 (J).

Discussion:
Law: Rule 296(J) defines "imports" to include purchase of input goods from export processing zone or from a private or public bonded warehouse including manufacturing bond but excluding diplomatic bond;

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

4. Recommended Practice	Inward processing should not be refused solely on the grounds of the country of origin of the goods, the country from which arrived or the country of destination.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001, rules 296 to 307G of Sub-chapter vii of Chapter XII.
- Import Policy Order, 2013.

Discussion:

Law: Inward processing of goods for export is not refused on the grounds of country of origin or the country of destination. However, under the Import Policy Order, 2013 goods cannot be imported from Israel as a matter of state policy. Apart from this provision there are no other specific orders or restrictions on imports for inward processing or export.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the recommended practice.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. S. Zulifiqar Kazmi, Collector of Customs, MCC Peshawar.
- Ms. Palwasha, Assistant Collector of Customs, MCC Sambrial, Sailkot.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the recommended practice.

Recommendations: No recommendations are deemed necessary at this time.

5. Standard	The right to import goods for inward processing shall not be limited to the owner of the imported goods.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001, Rule 297.

Discussion:
Law: Rule 297 provides for DTRE to cover a range of contractual arrangements for inward processing, including local manufacturers subcontracted by foreign owners of input goods.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard. In many cases goods are sent to Pakistan for processing and re-export for particular jobs. For example, football panels are processed and converted into finished footballs under contract. During this entire process the supplier of football panels remains the owner of the goods.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Wasif Memon, Collector of Customs, MCC Exports, Customs House, Karachi
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

6. Recommended Practice	When in the execution of a contract entered into with a person established abroad, the goods to be used are supplied by that person, inward processing should not be refused on the grounds that goods identical in description, quality and technical characteristics are available in the Customs territory of importation.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969, section 21.
- The Customs Rules, 2001, Rule 296(a) and 306.

Discussion:

Law: Customs legislation does not restrict or subject the temporary importation of input goods to any condition that preference is given to local goods. Even banned or restricted goods may be imported if approved by the Ministry of Commerce under Rule 296(a). Rule 306 permits duty drawback on locally manufactured input goods.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the recommended practice.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr.Raja Zahoor Akhtar, Collector of Customs, MCC. Sambrial, Sialkot.
- Mr. Wasif Memon, Collector of Customs, MCC (Exports) Customs House Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the recommended practice.

Recommendations: No recommendations are deemed necessary at this time.

7. Recommended Practice	The possibility of determining the presence of the imported goods in the compensating products should not be imposed as a necessary condition of inward processing when: (a) The identity of the goods can be established: - by submitting the details of the inputs and the process of manufacture of the compensating products; or - during the processing operations by Customs control; or (b) The procedure is terminated by the exportation of products obtained from the treatment of goods identical in description, quality and technical characteristics to those admitted for inward processing.

Overall Assessment: Partially Compliant.

Relevant Law:

- The Customs Act, 1969, section 21.
- The Customs Rules, 2001 rules 296 to 302A

Discussion:

Law: Rule 302A requires that three samples be taken of all output goods to be exported to ensure the input and output goods match the details of the DTRE declaration. The sampling requirement may only be avoided if the goods are of high value or constitute heavy equipment or sampling is otherwise not feasible.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is not in accordance with the recommended practice. This is only for goods mentioned under (a) in the standard but not for (b). Likewise, there is no provision in the law specifically allowing this practice.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Raja Zahoor Akhtar, Collector of Customs, MCC Sambrial, Sailkot.
- Mr. Nasir Chandna, Custom Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not in compliance with the recommended practice as described in (a) or (b). The law does not permit Customs to rely upon documentary evidence of inward processing of the input goods, unless physical sampling is not feasible.

Recommendation: A new provision should be added to the Act and the Rules reflecting the Recommended Practice.

8. Standard	National legislation shall specify the circumstances in which prior authorization is required for inward processing and the authorities empowered to grant such authorization.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001, rules 298 to 301.

Discussion:

Law: The procedure for authorization is provided in rules 298, 299, 300 and 301 of the Customs Rules, 2001. Rule 298 relates to the filing of application with the Collector of Customs, who is the Regulatory authority to allow and administer 'Duty and Tax Remission for Export (DTRE)' facility. Rule 299 relates to the procedure pertaining to determination of input-output ratios and wastages with respect to goods imported and the goods manufactured therefrom for eventual exportation. Rule 300 provides for grant of DTRE.

The provisions of DTRE rules mentioned above clearly show the Authority who issues authorization for DTRE scheme (import of goods for inward processing) and the procedure and conditions of the process in detail.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Junaid Akram, Collector of Customs, MCC (Preventive) Lahore.
- Mr. Qurban Ali Khan, Additional Collector of Customs, AFU Islamabad.
- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

9. Standard	The inward processing authorization shall specify the manner in which operations permitted under inward processing shall be carried out.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001, Rules 299 and 307D.

Discussion:
Law: Rule 299 requires the Regulatory Collector to approve the input output ratios declared by the DTRE applicant. Rule 307D requires the DTRE user shall also file a reconciliation statement 60 days after expiry of the utilization period.
It is apparent from the above procedure that the manner in which the inward processing is carried out is comprehensively dealt with and is in accordance with the requirements of the Standard.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Zulfiqar Kazmi, Collector of Customs, MCC Peshawar.
- Mr. Nadeem Memon, Additional Collector of Customs, MCC, Exports, Custom House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

10. Recommended Practice	When an application for inward processing is made after the importation of the goods and meets the criteria for authorization, the authorization should be granted retrospectively.

Overall Assessment: Partially Compliant

Relevant Law:

- The Customs Act, 1969, section 21.
- The Customs Rules, 2001 rule 303

Discussion:

Law: Rule 303 provides that a person already in possession of stocks of duty-paid input goods may declare at the time of seeking approval for DTRE and use such stocks subject to a cap of 20% of the value of the DTRE approval. and claim drawback subsequently after export.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is not in accordance with the recommended practice. In practice, when an inward processing facility or DTRE approval is granted, goods already imported are not being allowed to be used for manufacture of compensating products for export.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nadeem Memon, Additional Collector of Customs, MCC, Exports, Customs House, Karachi.
- Ms. Plawasha, Assistant Collector of Customs, MCC, Sambrial, Sialkot.

Conclusion: It appears that the law is in partial compliance but the practice is not in compliance with the recommended practice.

Recommendation: There should be a provision in the law allowing an application for inward processing to be made after the importation of the goods, providing reasonable criteria for authorization; , the authorization should be granted retrospectively.

11. Recommended Practice	Persons who carry out regular inward processing operations should, on request, be granted a general authorization covering such operations.

Overall Assessment: Partially Compliant.

Relevant Law:

- The Customs Act, 1969. Article 21
- The Customs Rules, 2001 rule 298.

Discussion:

Law: Rule 298 of the Customs Rules, 2001, only partially covers the scope of this "Recommended Practice". Rule 298 permits an exporter to obtain advance DTRE approval based on past export performance and acquire input goods for the proceeding 12 month period. An indirect exporter may seek consolidated DTRE approval for all firm supply contracts or purchase orders.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the recommended practice.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nadeem Memon, Additional Collector of Customs, MCC, Exports Customs House Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: The law and practice are in partial compliance with the 'Recommended Practice'.

Recommendation: A new provision should be added to the Customs Act requiring Customs to grant a general authorization, upon request, to persons who carry out regular inward processing operations. The provision should incorporate criteria that are reflect the relevant elements of the WCO's recommended compendium Compliance Risk Management (CRM). In addition, a new set of rules that reflect the standards and recommended practices of this chapter should be developed.

12. Standard	Where goods admitted for inward processing are to undergo manufacturing or processing, the competent authorities shall fix or agree to the rate of yield of the operation by reference to the actual conditions under which it is affected. The description, quality and quantity of the various compensating products shall be specified upon fixing or agreeing to that rate.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001 rule 299.

Discussion:

Law: The requirements of this Standard are met by the provisions of rule 299 of the Customs Rules, 2001.

The DTRE applicant declares the relevant input output ratio to be applied which is validated by the Input Output Coefficient Organisation (IOCO) or Engineering Development Board (EDB).

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Junaid Akram, Collector of Customs, MCC (Preventive) Customs House, Lahore.
- Mr. Nadeem Memon, Additional Collector of Customs, AFU, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

13. Recommended Practice	Where the inward processing operations: - relate to goods whose characteristics remain reasonably constant; - are customarily carried out under clearly defined technical conditions; and - give compensating products of constant quality; The competent authorities should lay down standard rates of yield applicable to the operations.

Overall Assessment: Substantially Compliant

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001, rules 299, 308 to 313.

Discussion:
Law: Under Rule 299 the Director of the 'Input-Output Co-efficient Organization (IOCO) determines the input-output co-efficient, wastages etc. and conveys them to the Regulatory Collector of Customs, who grants approval, for availing the 'Duty and Tax remission under DTRE scheme', for manufacture of compensatory products to be exported. Over time standard input-output coefficients have developed and are used by IOCO and Customs for ease of operations. However, there is no directive in the law or the rules to develop such standard coefficients. Such a stipulation would be required in the rules.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is not in complete accordance with the recommended practice. In Pakistan, FBR has established' IOCO with headquarters in Karachi, whose job is to ascertain and determine the correct relationship between 'goods' and the 'compensating products' produced therefrom. The IOCO Directorate, in collaboration with the 'Engineering Development Board (EDB)', has developed standard input-output coefficients for hundreds of products. In this process, they have endeavoured to associate all stakeholders such as exporters, manufacturers, trade bodies and experts. However, these standards are not notified and are not recognized by the rules.
The practice is as per the law.

Resource Persons:

- Mr. Fateh Mohammad Sheikh, Director IOCO, Custom House, Karachi.
- Ms. Zeba Haye, Collector of Customs, MCC, Appraisement, Lahore.
- Mr. Zulfiqar A. Kazmi, Collector of Customs, MCC, Peshawar.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in substantial compliance with the 'Recommended Practice'.

Recommendations: A new provision should be added to the Customs Act authorizing the IOCO and the Regulatory Collector to determine standard input/output coefficients for inward processing. A new set of inward processing rules reflecting this recommended practice and the other elements of this chapter should be developed. The IOCO and the Regulatory Collector should be authorized to notify the existing coefficients for standard applications wherever possible. The existing standard coefficients should be notified immediately.

14. Standard	The requirements relating to the identification of goods for inward processing shall be laid down by the Customs. In carrying this out, due account shall be taken of the nature of the goods, of the operation to be carried out and of the importance of the interests involved.

Overall Assessment: Compliant

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001, Rules 264 to 272 and 310(7)

Discussion:
Law: Rule 310(7) authorizes the Director of the Input Output Coefficient Organization (IOCO) to approve standard descriptions and ratios of classes of input goods and publicize them in the Official Gazette. Rule 308(o) defines Standard Notification to mean a "Notification relating to the standard determination of imported input materials and fixation of rates in case of goods of a class or description which is not limited or restricted to an individual manufacturer but is applicable in general cases." A specific procedure applicable only to raw hides and skins is contained in rules 264 to 272 of the Rules.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh M. Sheikh, Director IOCO, Custom House, Karachi.
- Mr. Zulfiqar Kazmi, Collector of Customs, MCC, Peshawar.
- Mr. Raja Zahoor Akhtar, Collector of Customs, MCC Sambrial, Sailkot.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: Customs should consult with the trade community to ensure sufficient classes of input goods are specified and notified.

15. Standard	The Customs shall fix the time limit for inward processing in each case.

Overall Assessment: Compliant.

Relevant Law:
- The Customs Act, 1969. Article 21
- The Customs Rules, 2001, rule 305.

Discussion:
Law: Rule 305 of the Customs Rules, 2001, provides for utilization of imported goods under remission of duties and taxes to be utilized in manufacturing of compensating products within a period of twenty four months from the date of DTRE approval.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard. This time period of twenty four months fixed is considered to be sufficient for procurement of goods and their conversion into compensatory products. In most of the cases the inward processing is completed and exports made in less than 24 months.

Resource Persons:
- Fateh M. Sheikh, Director IOCO, Custom House, Karachi.
- Mr. Zahoor Akhtar Raja, Collector of Customs, MCC, Sambrial, Sialkot.
- Mr. Nadeem Memon, Additional Collector of Customs, MCC, Exports, Custom House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

16. Recommended Practice	At the request of the person concerned, and for reasons deemed valid by the Customs, the latter should extend the period initially fixed.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001, rule 305

Discussion:

Law: Rule 305 of the Customs Rules, 2001, permits the utilization period to be extended by Board in "exceptional circumstances".

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the recommended practice.

***Resource Persons*:**

- Ms. Zeba Haye, Collector of Customs, MCC, Appraisement, Lahore.
- Mr. Zulfiqar A. Kazmi, Collector of Customs, MCC, Peshawar.
- Mr. Nadeem Memon, Additional Collector of Customs, MCC, Exports, C.H, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with this 'Recommended Practice'.

Recommendation: According to the proviso to the rule 305, the extension can be allowed only at the level of FBR/Customs. It will be appropriate if this power is granted to the Regulatory Collector under rule 305.

17. Recommended Practice	Provision should be made for continuing inward processing in the event of transfer of ownership of the imported goods and the compensating products to a third person, provided that that person assumes the obligations of the person granted the authorization.

Overall Assessment: Partially-Compliant

Relevant Law:

- The Customs Act, 1969, Section 21.
- The Customs Rules, 2001, Rule 307A.

Discussion:
Clause (b) of sub-rule (2) of rule 307A of the Rules permits a DTRE user to transfer the title of input goods or output goods to another DTRE user. However, there is no clarification regarding the allocation of obligations and liabilities between the parties.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is not in accordance with the recommended practice.

Resource Persons:

- Mr. Raja Zahoor Akhtar, Collector of Customs, Sialkot.
- Ms. Zeba Haye, Collector of Customs, MCC, Appraisement, Lahore.
- Mr. Zulfiqar Kazmi, Collector of Customs, MCC, Peshawar.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in partial compliance with the standard.

Recommendations: The new set of rules should provide for continuing inward processing in the event of transfer of ownership of the imported goods and the compensating products to a third person, provided that person concerned executes a writing expressly assuming the obligations of the person granted the authorization, as per the CRM criteria. Rule 307A of the Customs Rules should be appropriately modified to provide for the transfer of goods imported for inward processing under remission of duties and taxes to a third person who accepts the associated liabilities and obligations.

18. Recommended Practice	The competent authorities should permit processing operations to be carried out by a person other than the person accorded the facilities for inward processing. Transfer of ownership of the goods admitted for inward processing should not be necessary, provided that the person accorded the inward processing facilities remains responsible to the Customs for compliance with the conditions set out in the authorization for the entire duration of the operations.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001 rules 298, 300 and 301.

Discussion:
Law: The law and rules do not permit a DTRE user to subcontract processing operations to another person, who is not an authorized DTRE user, without transferring ownership to the goods or responsibilities.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is not in accordance with the recommended practice.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Qurban Ali Khan, Additional Collector of Customs, AFU, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not in compliance with the recommended practice.

Recommendation: The new set of rules should permit processing operations to be carried out by a person other than the person accorded the authorization for inward processing (based on CRM criteria). Transfer of ownership of the goods admitted for inward processing should not be necessary, provided that the third person accorded the inward processing facilities remains responsible to the Customs for compliance with the conditions set out in the authorization for the entire duration of the operations.

19. Standard	Provision shall be made to permit compensating products to be exported through a Customs office other than that through which the goods placed under inward processing were imported.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, rule 302 (Appendix IV) and 306

Discussion:
Law: There is no legislative provision precluding the import of input goods into one customs station and the export of output goods from another Customs station. In appendix IV there is a provision for declaring input goods and the Customs station from where the import of input goods takes place. In the second part of appendix IV there is a provision for declaring the Customs station from which compensating products can be exported.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Dr. Asif Jah, Additional Collector of Customs, AFU, Lahore.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

20. Standard	Provision shall be made to permit inward processing procedures to be terminated by exportation of the compensating products in one or more consignments.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001 rule 306

Discussion:

Law: Rule 306 requires all current export formalities to apply to the export of output goods. There is no restriction whether the exports are to be made in one or more consignments. All input goods can be converted into output goods and exported in a single or multiple consignments.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Junaid Akram, Collector of Customs, MCC, (Preventive), C.H, Lahore.
- Mr.Nadeem Memon, Additional Collector of Customs, MCC, (Exports) C.H Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

21. Standard	Upon request by the person concerned, the competent authorities shall authorize the re-exportation of the goods in the same state as imported, with termination of inward processing.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969, section 21.
- The Customs Rules, 2001 rule 307A.

Discussion:

Law: If input goods, imported without payment of duties and taxes, cannot be converted into output goods, for whatever reason, they can be re-exported in the same state, pursuant to Rule 307A (2-a).;

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Wasif Memon, Additional Collector of Customs, MCC, (Exports), Custom House, Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

22.Recommended Practice	Provision should be made for suspending or terminating inward processing by placing the imported goods or the compensating products under another Customs procedure, subject to compliance with the conditions and formalities applicable in each case.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001 rule 307A

Discussion:

Law: The manner in which the DTRE may be terminated is given in sub-rule (2) of rule 307A which meets the requirements of the 'Recommended Practice'. The imported goods are either to be re-exported or sold to another DTRE approval holder. These goods could also be sold locally on payment of duties and taxes and subject to compliance with conditions, restrictions and prohibitions, if any, imposed under the Imports and Exports (Control) Act, 1950, or any other law for the time being in force. Likewise, the compensating products may be sold to another DTRE holder/user for export or to some other person on payment of duties and taxes leviable and subject to compliance with conditions, restrictions and prohibitions.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the recommended practice.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi
- Mr. Nadeem Memon, Additional Collector of Customs, MCC, (Exports) C.H Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the recommended practice.

Recommendations: No recommendations are deemed necessary at this time.

23. Recommended Practice	National legislation should provide that the amount of import duties and taxes applicable in the case where the compensating products are not exported shall not exceed the amount of import duties and taxes applicable to the imported goods admitted for inward processing.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001 rule 307A

Discussion:
Sub-Rule (2-c) of Rule 307A provides that if the DTRE user fails to account for duties and taxes foregone on input or output goods he shall be liable to pay duties and taxes including additional duties or additional tax and penalties leviable on any input or output goods under the relevant Acts or the Ordinance.
*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the recommended practice.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi
- Mr. Nadeem Memon, Additional Collector of Customs, MCC, (Exports) C.H Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the recommended practice.

Recommendations: No recommendations are deemed necessary at this time.

24. Standard	Provision shall be made for terminating inward processing in respect of goods lost as a consequence of the nature of the goods, insofar as the compensating products are exported, provided that such loss is duly established to the satisfaction of the Customs.

Overall Assessment: Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, rules 298, 299, 300 and 307A.

Discussion:
Law: Rule 307A excuses the DTRE user from responsibility for wastage, as calculated and approved by IOCO, from any account for the conversion of input goods into output goods.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi
- Mr. Nadeem Memon, Additional Collector of Customs, MCC, (Exports) C.H Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

25. Recommended Practice	The products obtained from the treatment of equivalent goods should be deemed to be compensating products for the purposes of this Chapter (setting-off with equivalent goods).

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001 rule 303.

Discussion:
Law: Customs legislation does not permit DTRE users to use equivalent goods to produce output goods in place of imported input goods on which duties and taxes have not been paid.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is not in accordance with the recommended practice.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are non-compliant with the 'Recommended Practice'.

Recommendation: A new provision should be added to the Customs Act to provide that the products obtained from the treatment of equivalent goods are to be deemed to be compensating products. A new set rules should also provide for this.

26. Recommended Practice	When setting-off with equivalent goods is allowed, the Customs should permit the exportation of compensating products prior to the importation of goods for inward processing.

Overall Assessment: Non-Compliant

Relevant Law:

- The Customs Act, 1969.
- The Customs Rules, 2001; Rule 303.

Discussion:

Law: The existing law and rules have no provision to allow the use of equivalent goods for the manufacture of compensating products and there is no provision for the export of compensating products prior to the import of input goods. Setting-off with equivalent goods is not permitted under Pakistan's customs legislation. Therefore, new procedures/rules will need to be formulated to provide for the prior export of such compensating products.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice follows the la. Equivalent goods are not allowed to be used for the manufacture of compensating products prior to the import of input goods.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Wasif Memon, Additional Collector of Customs, MCC Exports, Customs House Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with this recommended practice.

Recommendations: The new provision to the Customs Act recommended under Recommended Practice 25, should provide that, when setting off is allowed, the Customs shall permit the export of compensating products even prior to the import of goods for inward processing where available and it should be based on CRM criteria. This should also be reflected in the recommended new set of rules on inward processing.

Chapter 2: Outward Processing

Outward processing provides for total or partial exemption from import duties and taxes on goods declared for home use which are obtained by manufacturing, processing or repair of temporarily exported goods in free circulation.

The main purpose of the outward processing procedure is to make it possible for national enterprises to reduce their production costs thereby making products available at more competitive prices. The term processing in this context may include packaging, packing or repacking of goods, in addition to the manufacturing and processing operations included in the definition of outward processing. The latter would also cover goods that undergo minor operations.

At the beginning of Chapter 2 of Annex F, two specific terms applicable to the chapter are defined as follows:

> "Compensating products" means the products obtained abroad and resulting from the manufacturing, processing or repair of goods for which the use of the outward processing procedure is authorized;" and
>
> "Outward processing" means the Customs procedure under which goods which are in free circulation in a Customs territory may be temporarily exported for manufacturing, processing or repair abroad and then re-imported with total or partial exemption from import duties and taxes.

There is nothing in the RKC that requires a Contracting Party to adopt into its national legislation the terms and assigned meanings specified in the RKC. So this analysis does not assign a compliance rating with respect to such defined terms. However, we again note that it will be difficult for Pakistan to comply with its obligations under the RKC if certain of the customs-specific terms, such as the two terms defined above, are not used in Pakistan's customs legislation or - if such a term is used – it is assigned a meaning that differs materially from that specified in the RKC.

Specific compliance issues arising because of terminological or definitional differences between the RKC and Pakistan's national legislation are identified in this report only in the context of the compliance assessment done with respect to a standard or recommended practice that uses a customs specific term defined in the RKC.

Principles

1. Standard	Outward processing shall be governed by the provisions of this Chapter and, insofar as applicable, by the provisions of the General Annex.

Overall Assessment: Not Applicable

Relevant Law: Not Applicable

Discussion:
Introductory note: Standard 1 mandates that the definitions, standards and recommended practices in Chapter 2 of Specific Annex F shall apply to outward processing. Standard 1 also provides that the definitions, standards and transitional standards of the General Annex shall apply *insofar as applicable* to inward processing.

Standard 1 does not establish a requirement that a national customs regime must comply with. It only defines the scope of application of the definitions, standards and recommended practices of Chapter 2 of Specific Annex F. Therefore, it is not possible to provide an overall compliance assessment rating with respect to this standard.

The balance of this chapter contains an assessment, on a standard-by-standard basis, of the extent to which Pakistan's customs regime (its national legislation and practices) complies with the standards and recommended practices established by the RKC's Specific Annex F. When assessing the degree of compliance with any such standard or recommended practice, this report will – whenever relevant - refer to the requirements of Standard 1 within the context of the concerned individual compliance assessment.

Conclusion: Specific compliance issues with respect to Standard 1 are identified throughout this report in the context of the individual compliance assessments done with respect to the substantive standards and recommended practices of the RKC whenever Standard 1 is also implicated.

Recommendation: Similarly, specific recommendations that relate to Standard 1 are provided throughout this report in the context of those individual assessments whenever compliance with Standard 1 is also implicated.

2. Recommended Practice	Outward processing should not be refused solely on the grounds that the goods are to be manufactured, processed or repaired in a given country.

Overall Assessment: Marginally Compliant

Relevant Law:

- The Customs Act, 1969
- Export Policy Order (EPO), 2013 – Para 8

Discussion:

Law: Pakistan's import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows for the temporary export of goods as provided in the EPO, 2013. The provision also provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are also allowed for machinery and equipment for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares.

The exclusive focus of the standard is to make it clear that outward processing should not be denied because of the country where the outward processing will occur. And there is no provision in the law or the rules or the EPO prohibiting Customs from refusing outward processing based on the country where the outward processing will occur.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice selectively permits outward processing.

Resource Persons*:*

- Mr. Fateh M. Sheikh, Director IOCO, Custom House, Karachi.
- Dr. Nadeem Memon, Additional Collector of Customs, MCC (Exports), Custom House, Karachi.

Conclusion: There is no provision in the law or the rules prohibiting Customs from refusing outward processing based on the country where the outward processing will occur.

Recommendation: The EPO, 2013 should be amended to provide to allow the outward processing of a far wider range of goods, and to prohibit Customs from refusing outward processing based on the country where the outward processing will occur, except where such refusal is necessary to implement international sanctions on the country concerned. A new chapter on outward processing containing a provision to this effect should also be added to the Customs Act.

Other subjects relating to exports might also be included in the suggested new chapter e.g. Temporary Exports (Specific Annex G, chapter 1), Inward Processing (Specific Annex F, Chapter 1), Duty Drawback (Specific Annex F, Chapter 3) and Outright Exports (Specific Annex C, Chapter1) as provided elsewhere in RKC.

3. Standard	Temporary exportation of goods for outward processing shall not be restricted to the owner of the goods.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969
- Export Policy Order (EPO), 2013

Discussion:

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. This provision, however, does not cover manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules relating to the standard or the subject matter dealt with in the EPO. And there is no provision in the EPO requiring Customs to allow persons other than the owner of the goods to temporarily export goods for outward processing.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice, permits temporary exportation for outward processing, but this facility is only provided to the owner of the goods.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are non-compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision allowing the owner and other persons to temporarily export goods for outward processing.

4. Standard	National legislation shall enumerate the cases in which prior authorization is required for outward processing and specify the authorities empowered to grant such authorization. Such cases shall be as few as possible.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Discussion:

Introductory Note: This standard imposes a requirement on the content of national legislation.

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

The EPO does not enumerate the cases for which prior authorization is required for outward processing, nor does it specify the authorities empowered to grant such authorization. And there is no provision in the Customs Act or the Customs Rules relating to the standard or covering the subject matter dealt with in the EPO.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice permits outward processing. Outward processing is also allowed for manufacturing and to media companies for processing audio and video programs/films.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: The standard imposes an obligation on the content of national legislation. There is nothing in Pakistan's laws or rules reflecting the requirements of the standard. It therefore appears that Pakistan's national legislation is not compliant with the standard.

Recommendation: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision enumerating a very limited set of cases for which prior authorization is required for outward processing and specify the authorities empowered to grant such authorization.

5. Recommended Practice	Persons who carry out regular outward processing operations should, on request, be granted a general authorization covering such operations.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Discussion:

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

The EPO does not provide that persons who carry out regular outward processing operations should, on request, be granted a general authorization covering such operations. And there is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard or the subject matter dealt with in the EPO. Therefore there is no legislative or regulatory provision allowing for the grant of a general authorization to persons who carry out regular outward processing operations.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice permits outward processing. Outward processing is also allowed for manufacturing and to media companies for processing audio and video programs/films.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendation: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision allowing for the grant of a general authorization to persons who carry out regular outward processing operations.

6. Recommended Practice	The competent authorities should fix a rate of yield for an outward processing operation when they deem it necessary or when it will facilitate the operation. The description, quality and quantity of the various compensating products shall be specified upon fixing that rate.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions on fixing a rate of yield for an outward processing operation.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice permits outward processing as provided in the EPO.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendation: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision requiring the FBR or a specific Customs authority to fix a rate of yield for an outward processing operation when it is deemed necessary or when it will facilitate the operation. The provisions should also require that the quality and quantity of the various compensating products be specified when such a rate is fixed. A definition of "compensating products" will need to be provided.

7. Standard	The requirements relating to the identification of goods for outward processing shall be laid down by the Customs. In carrying this out, due account shall be taken of the nature of the goods, of the operation to be carried out and of the importance of the interests involved.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions on fixing a rate of yield for an outward processing operation. Therefore there is no provision for laying down the requirements relating to the identification of goods for outward processing.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice, permits outward processing as provided in the EPO.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision requiring Customs to establish the requirements relating to the identification of goods for outward processing. When establishing these requirements, Customs should take account of the nature of the goods, the operation to be carried out and the importance of the interests involved.

8. Standard	The Customs shall fix the time limit for outward processing in each case.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions on fixing the time limit for outward processing in each case.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice permits outward processing as provided in the EPO.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision requiring Customs to fix the time limit for outward processing in each case. The provision should also establish the criteria Customs must take into account when fixing such time limit.

9. Recommended Practice	At the request of the person concerned, and for reasons deemed valid by the Customs, the latter should extend the period initially fixed.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions on extending the period initially fixed at the request of the person concerned and for reasons deemed valid by Customs.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice permits outward processing as provided in the EPO.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision requiring Customs to extend the time limit initially fixed at the request of the person concerned if such person provides Customs with a statement of the reasons for the extension and Customs determines, in the exercise of reasonable discretion, that such reasons provide good cause to grant the request.

10.□ Standard	Provision shall be made to permit compensating products to be imported through a□ Customs office other than that through which the goods were temporarily exported for outward processing.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions permitting compensating products to be imported through a Customs office other than that through which the goods were temporarily exported for outward processing.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice permits outward processing as provided in the EPO.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision permitting compensating products to be imported through a Customs office other than that through which the goods were temporarily exported for outward processing. As noted under Recommended Practice 6, a definition of "compensating products" will need to be provided.

11. Standard	Provision shall be made to permit compensating products to be imported in one or more consignments.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions on compensating being imported in consignments.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice permits outward processing as provided in the EPO.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision permitting compensating products to be imported in one or more consignments. As previously noted a definition of "compensating products" will need to be provided.

12. Standard	Upon request by the person concerned, the competent authorities shall allow goods temporarily exported for outward processing to be re-imported with exemption from import duties and taxes if they are returned in the same state. This exemption shall not apply to import duties and taxes which have been repaid or remitted in connection with the temporary exportation of the goods for outward processing.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions allowing goods exported for outward processing to be re-imported duties and taxes free if returned in the same state.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice, permits outward processing as provided in the EPO, 2013.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision allowing goods exported for outward processing to be re-imported duties and taxes free, if returned in the same state. A proviso to this provision should indicate that this exemption does not apply to duties and taxes that have been repaid or remitted in connection with the temporary exportation for outward processing.

13.□ Standard	Unless national legislation requires the re-importation of goods temporarily exported for outward processing, provision shall be made for terminating the outward processing by declaring the goods for outright exportation subject to compliance with the conditions and formalities applicable in such case.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions on the subject of the standard.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice, permits outward processing as provided in the EPO, 2013.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision allowing the concerned person to terminate the outward processing procedure for the concerned goods and to declare the goods for outright exportation subject to compliance with the necessary formalities.

14. Standard	National legislation shall specify the extent of the exemption from import duties and taxes granted when compensating products are taken into home use, and the methods of calculation of that exemption.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013
- Chapter 99, Heading 9918, of the Customs Tariff

Introductory note: The standard imposes an obligation on the content of national legislation. Therefore, practice issues are not of direct relevance to the standard.

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter dealt with by the standard. It has been suggested that Chapter 99, heading 9918, of the Customs Tariff might be of relevance to the standard; however that heading contains nothing regarding the importation of compensating products, which is the focus of the standard. In addition, the EPO does not contain any provisions relevant to the standard.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice only permits outward processing in accordance with the EPO.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision specifying the extent of the exemption from import duties and taxes granted when compensating products are cleared for home use, and the methods of calculation of that exemption.

15. Standard	The exemption from import duties and taxes provided for in respect of compensating products shall not apply to duties and taxes which have been repaid or remitted in connection with the temporary exportation of the goods for outward processing.

Overall Assessment: Non-Compliant.

Relevant Law:

- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter of the standard. And the EPO does not contain any provisions on the subject of the standard.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice only permits outward processing in accordance with the EPO.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision specifying as follows: If any duties and/or taxes were repaid or remitted in connection with the temporary exportation of goods for outward processing, then any exemption from import duties and taxes on compensating products that are later imported shall not apply to the extent of any duties/taxes previously repaid or remitted in connection with the temporary exportation of goods for outward processing.

16. Recommended Practice	Where goods temporarily exported for outward processing have been repaired abroad free of charge, provision should be made for them to be re-imported with total exemption from import duties and taxes under the conditions laid down in national legislation.

Overall Assessment: Non-Compliant.

Relevant Law:
- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Introductory note: The standard imposes an obligation on the content of national legislation. Therefore, practice issues are not of direct relevance to the standard.

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter dealt with by the standard. In addition, the EPO does not contain any provisions relevant to the standard.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice only permits outward processing in accordance with the EPO.

Resource Persons:
- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision specifying that goods previously exported temporarily for repairs abroad free of charge are to be allowed to be re-imported with total exemption from duties and taxes, subject to such conditions as are reasonably necessary to ensure that identity of the goods and that the repairs were in fact carried out free of charge (e.g,, repairs carried out under warranty).

17.Recommended Practice	The exemption from import duties and taxes should be granted if the compensating products were placed under another Customs procedure prior to being declared for home use.

Overall Assessment: Non-Compliant.

Relevant Law:
- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter dealt with by the standard. In addition, the EPO does not contain any provisions relevant to the standard.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice only permits outward processing in accordance with the EPO.

Resource Persons:
- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision specifying that – if goods were previously temporarily exported for processing – and compensating products are subsequently imported for home use, the exemption from duties and taxes should be applicable to those compensating products even if they were placed under another Customs procedure (e.g., warehousing) prior to being declared home use.

18.□Recommended Practice	□The exemption from import duties and taxes should be granted if the ownership of the compensating products is transferred before they are taken into home use.

Overall Assessment: Non-Compliant.

Relevant Law:
- The Customs Act, 1969.
- Export Policy Order (EPO), 2013

Law: The Pakistan import and export regime allows for temporary export of certain goods which can be repaired, refurbished or processed outside Pakistan and re-imported. This is provided in para 8 "Export cum Import", EPO, 2013. Pakistan Customs allows temporary export of goods as provided in the EPO, 2013. The provision provides for a procedure for the temporary export and re-import of many different types of goods. These include goods exported for repairs, replacement, re-filling etc. Export cum import of vehicles is also allowed under carnet-de-passage issued by the Automobile Association of Pakistan. Likewise, such exports are allowed for machinery and equipment as well, for carrying out works awarded to construction engineering and electrical companies. This can also be allowed for repetitive use abroad. Similar export is allowed for participation in exhibition and fares. The EPO does not provide for manufacturing and processing abroad.

There is no provision in the Customs Act or the Customs Rules covering the subject matter dealt with by the standard. In addition, the EPO does not contain any provisions relevant to the standard.

Practice: According to interviews with the resource persons specified below, it appears that Customs practice only permits outward processing in accordance with the EPO.

Resource Persons:
- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi.
- Mr. Nasir Chandna, Customs Clearing Agent, Customs House, Karachi.
- Dr. Asif Jah, Collector of Customs, AFU, Lahore, MCC, (Preventive) Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not compliant with the standard.

Recommendations: A new chapter on outward processing should be added to the Customs Act. Such chapter should include a provision specifying that – if goods were previously temporarily exported for processing – and compensating products are subsequently imported for home use, the exemption from duties and taxes should be applicable to those compensating products even if the ownership of the compensating products is transferred before they are taken into home use.

Chapter 3: Draw Back

Most customs administrations have in place procedures which help promote export trade and are in the interest of the national economy. “Drawback” is one such procedure. This procedure grants partial or total repayment of import duties and taxes paid on:

- Goods used in the processing or manufacture of exported products,
- Materials contained in the goods or consumed in the manufacture of the exported products, or
- Imported goods re-exported in the same state.

Drawback is one of several procedures which provides relief from duties and taxes for the manufacture of exported goods and is extensively used. Some administrations may allow it in combination with other procedures like inward processing, temporary admission or Customs warehouses.

At the beginning of Chapter 3 of Annex F, two specific terms applicable to the chapter are defined as follows:

> "Drawback" means the amount of import duties and taxes repaid under the drawback procedure;
>
> "Drawback procedure" means the Customs procedure which, when goods are exported, provides for a repayment (total or partial) to be made in respect of the import duties and taxes charged on the goods, or on materials contained in them or consumed in their production;

There is nothing in the RKC that requires a Contracting Party to adopt into its national legislation the terms and assigned meanings specified in the RKC. So this analysis does not assign a compliance rating with respect to such defined terms. However, we again note that it will be difficult for Pakistan to comply with its obligations under the RKC if certain of the customs-specific terms are not used in Pakistan’s customs legislation or - if such a term is used – it is assigned a meaning that differs materially from that specified in the RKC.

Specific compliance issues arising because of terminological or definitional differences between the RKC and Pakistan’s national legislation are identified in this report only in the context of the compliance assessment done with respect to a standard or recommended practice that uses a customs specific term defined in the RKC.

1. Standard	The drawback procedure shall be governed by the provisions of this Chapter and, insofar as applicable, by the provisions of the General Annex.

Overall Assessment: Not Applicable

Relevant Law: Not Applicable

Discussion:
Introductory note: Standard 1 mandates that the definitions, standards and recommended practices in Chapter 3 of Specific Annex F shall apply to drawback. Standard 1 also provides that the definitions, standards and transitional standards of the General Annex shall apply *insofar as applicable* to inward processing.

Standard 1 does not establish a requirement that a national customs regime must comply with. It only defines the scope of application of the definitions, standards and recommended practices of Chapter 3 of Specific Annex F. Therefore, it is not possible to provide an overall compliance assessment rating with respect to this standard.

The balance of this chapter contains an assessment, on a standard-by-standard basis, of the extent to which Pakistan's customs regime (its national legislation and practices) complies with the standards and recommended practices established by the RKC's Specific Annex F. When assessing the degree of compliance with any such standard or recommended practice, this report will – whenever relevant - refer to the requirements of Standard 1 within the context of the concerned individual compliance assessment.

Conclusion: Specific compliance issues with respect to Standard 1 are identified throughout this report in the context of the individual compliance assessments done with respect to the substantive standards and recommended practices of the RKC whenever Standard 1 is also implicated.

Recommendation: Similarly, specific recommendations that relate to Standard 1 are provided throughout this report in the context of those individual assessments whenever compliance with Standard 1 is also implicated.

2. Standard	National legislation shall enumerate the cases in which drawback may be claimed.

Overall Assessment: Compliant.

Relevant Laws :

- The Customs Act, 1969, sections 21 and 37.
- The Customs Rules, 2001, Chapter XII Rules 220 to 313.
- Sales Tax Act, 1990, sections 4 and 10 etc.
- Federal Excise Act, 2005, sections 5 and 32 etc.

Discussion:
Law: Sections 21(c) and 37 of the Customs Act provide for repayment of duties paid on imported goods used in the manufacture of goods that are exported, of a class or description notified in the Official Gazette. Section 39 of the Act specifies the situations when drawback is not permitted on such imported goods. Section 40 of the Act requires that no payment of drawback shall be made until the conveyance has left Pakistan.

A large number of SRO's have been issued under Section 21(c) identifying the class or description of the imported goods and the amount or rate of drawback of duties and taxes. These SROs may be specific for individual items, specific for several items or standard SROs which provide rates of repayment for a large number of items.

Chapter XII of the Customs Rules, 2001 provides detailed procedures for the calculating the amount of drawback, for example on raw materials, the manner and time of claiming drawback in particular cases and the procedure to pay drawback.

Provision for repayment of excise and zero rating are provided in section 4 and 10 of the Sales Tax Act, 1990 and sections 5 and 32 (etc.) of the Federal Excise Act, 2005.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh Sheikh, Director IOCO, Customs House, Karachi.
- Mr. Wasif Memon, Collector of Customs, MCC Exports, Karachi.
- Ms. Zeba Haye Azhar, Collector of Customs (Appraisement), Lahore.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendations: No recommendations are deemed necessary at this time.

3. Recommended Practice	National legislation should include provision for the application of the drawback procedure in cases where the goods which have borne import duties and taxes have been replaced by equivalent goods used in the production of exported goods.

Overall Assessments: Non-Compliant.

Relevant Laws :

- The Customs Act, 1969, Section 32
- The Customs Rules, 2001, Chapter XII.

Discussion:

Law: The Customs Act and the Customs Rules, 2001 do not provide for the application of drawback procedures in cases where the goods which have borne import duties and taxes have been replaced by equivalent goods used in the production of exported goods.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is not in accordance with the recommended practice. Customs considers the act of claiming drawback on imported goods while using equivalent goods in the manufacture of exports to be a violation of Section 32 of the Act.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi
- Dr. Nadeem Memon, Additional Collector, MCC Exports, Customs House, Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not in compliance with the recommended practice.

Recommendations: A provision should be added to Section 37 authorizing drawback of duties and taxes on imported goods which have been replaced by equivalent goods used in the production of exported goods. The procedures for the implementation of the drawback relating to such equivalent goods should be included Sub-chapter 2 of Chapter XII of the Rules.

4. Standard	The Customs shall not withhold payment of drawback solely because, at the time of importation of the goods for home use, the importer did not state his intention of claiming drawback at exportation. Similarly, exportation shall not be mandatory when such a statement has been made at importation.

Overall Assessment: Compliant.

Relevant Laws :

- The Customs Act, 1969 sections 21(c) and (d), 35, 36, 37, 39, 40 and 41.
- The Customs Rules, 2001Chapter XII.
- The Sales Tax, 1990 sections 61, 62, 63 and 64.
- The Federal Excise Act, 2005 section 5.
- The Federal Excise Rules, 2005, rules 32, 33 and 34.

Discussion:
Law: There is no requirement under the Act or the Customs Rules that at the time of importation of goods, intended to be processed further and exported, a declaration be made by the importer of their intention to claim drawback at exportation. Similarly, legislation does not require that if such a statement of intention is made then subsequent exportation is mandatory.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh Muhammad Shiekh, Director Input Output Coefficient Organization (IOCO), Karachi
- Dr. Nadeem Memon, Additional Collector, MCC Exports, Customs House, Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendation: No recommendations are deemed necessary at this time.

5. Recommended Practice	Where a time limit for the exportation of the goods is fixed beyond which they no longer qualify for drawback, this should, upon request, be extended if the reasons are deemed valid by the Customs.

Overall Assessment: Compliant.

Relevant Laws :

- The Customs Act, 1969 sections 21(c) and (d), 35, 36, 37, 39, 40 and 41.
- The Customs Rules, 2001, Subchapter II, Chapter XII.

Discussion:

Law: There is no time limit in the Customs Act or in the Customs Rules, 2001, within which goods imported on payment of duties and taxes must be used in the manufacture of goods or within which such manufactured goods must be exported to enable the exporter to be entitled to claim repayment of the duties and taxes paid on importation of the input goods.

The 'repayment notifications' do not have a time limit to convert imported goods into manufactured goods and their subsequent export. The notifications are for the products as mentioned above:

i. SRO 209 (I)/2009 dated 05.03.2009
ii. SRO 210 (I)/2009 dated 05.03.2009
iii. SRO 211 (I)/2009 dated 05.03.2009
iv. SRO 212 (I)/2009 dated 05.03.2009

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the recommended practice.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector, MCC Exports, Customs House, Karachi.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the recommended practice.

Recommendation: No recommendations are deemed necessary at this time.

6. Recommended Practice	Where a time limit is fixed beyond which claims for drawback will not be accepted, provision should be made for its extension for commercial or other reasons deemed valid by the Customs.

Overall Assessment: Compliant.

Relevant Laws :

- The Customs Act, 1969, Sections 21(c) and 224
- Customs General Order 12 of 2002, Paragraph 47
- SRO 209 (I)/2009 dated 05.03.2009
- SRO 210 (I)/2009 dated 05.03.2009
- SRO 211 (I)/2009 dated 05.03.2009
- SRO 212 (I)/2009 dated 05.03.2009

Discussion:
Law: The sample of drawback notifications, listed above, issued by the Federal Board of Revenue under Section 21(c) of the Act provide for the following periods within which a drawback claim shall be filed, i.e. "within two hundred and ten days of such exportation or within one hundred and eighty days from the date of realization of foreign exchange as shown on Bank Credit Advice issued in accordance with the current directive of the State Bank of Pakistan." These periods of time may be extended under Paragraph 47 of the Customs General Order 12 of 2002 for any reason. Additionally, Section 224 of the Act empowers the Board or the appropriate officer generally to extend any time period in order to mitigate any hardship.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the recommended practice.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector, MCC Exports, Customs House, Karachi.
- Mr. Nasir Chandna, Customs Agent, Customs House, Karachi
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the recommended practice.

Recommendation: No recommendations are deemed necessary at this time.

7. Standard	Drawback shall be paid as soon as possible after the claim has been verified.

Overall Assessment: Compliant.

Relevant Laws :

- The Customs Rules, 2001 Chapter XII. Rule 221

Discussion:

Law: Rule 221 classifies exporters into three categories for purposes of repayment time based on their past performance and track record and the degree of risk to state revenue:-

1. Gold Category exporters, whose record is exceptionally of high compliance, are given repayments within 72 hours and their claims are scrutinized later on;
2. Silver Category exporters, whose record of compliance is high, are given repayment within 15 days; and
3. Other exporters with normal or below normal compliance level, are given repayment after thorough scrutiny and verification of their claims.

*Practice***:** According to interviews with the resource persons specified below, it appears that Customs practice is in accordance with the standard.

Resource Persons:

- Mr. Fateh Mohamad Sheikh, Director, IOCO, Customs House, Karachi.
- Ms. Palwasha, Assistant Collector of Customs, MCC Smabrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser, Dry Port, MCC Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendation: No recommendations are deemed necessary at this time.

8. Recommended Practice	National legislation should provide for the use of electronic funds transfer for the payment of drawback.

Overall Assessment: Compliant

Relevant Laws :

- The Customs Act, 1969 sections 21(c) and 37
- The Customs Rules, 2001, Chapter XII.

Discussion:
Law: Section 2 (kkb) provides for electronic funds transfer.

Practice: According to interviews with the resource persons specified below, practice is not in compliance with the recommended practice. The processing of the drawback claims is now done electronically by Customs through a WeBOC module. This includes the filing of the documents, their processing, scrutiny and approval of drawback. However, while electronic funds transfer is a common banking practice the banking community and the Board and Customs have not agreed on conditions and fees for such electronic transfer of drawback payments to exporters.

***Resource Persons*:**

- Mr. Fateh Mohammad Sheikh, Director IOCO, Customs House, Karachi.
- Mr. Mohammad Nadeem Memon, Additional Collector, MCC Exports, Karachi.
- Mr. Nasir Chandna, Customs Agent, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law, but not its practice, is in compliance with the recommended practice.

Recommendation: No recommendations are deemed necessary at this time.

9. Recommended Practice	Drawback should also be paid on deposit of the goods in a Customs warehouse or introduction of the goods into a free zone, on condition that they are subsequently to be exported.

Overall Assessment: Partially Compliant.

Relevant Laws :

- The Customs Act, 1969, Chapters VI and XI
- The Customs Rules, 2001 (Chapter XII), Rule 220(e)

Discussion:
Law: Chapter VI (Drawback) and Chapter XI (Warehousing) do not authorize drawback on export goods entering a customs warehouse on deposit in a bonded warehouse or Customs warehouse. Duty drawback becomes due after the goods have been exported. So long as these goods remain in the country the Customs law does not permit duty drawback on such goods. Rule 220(e) defines exported goods for the purposes of drawback to include goods exported to an export processing zone.

Practice: According to interviews with the resource persons specified below, practice with respect to export processing zones (free zones) is in compliance with the recommended practice. However, drawback is not allowed on export goods which are deposited in a Customs warehouse before actual exports.

Resource Persons:

- Mr. Fateh Mohammad Sheikh, Director IOCO, Customs House, Karachi.
- Mr. Qurban Ali Khan, Additional Collector of Customs, AFU, Islamabad.
- Mr. Aamir Ahmad, Collector of Customs, MCC, PACCS, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in partial compliance with the recommended practice.

Recommendation: A new provision should be added to the Customs Act requiring the payment of duty drawback on export goods which have yet to be exported but are placed in a Customs warehouse on condition that amount of the drawback shall become immediately payable if the goods are not subsequently exported. Rule 220(e) of the Customs Rules, 2001, should be similarly amended.

10. Recommended Practice	The Customs should, if so requested, pay drawback periodically on goods exported during a specified period.

Overall Assessment: Non-Compliant.

Relevant Laws :

- The Customs Act, 1969 sections 21(c) and (d), 35, 36, 37, 39, 40 and 41.
- The Customs Rules, 2001, Chapter XII.

Discussion:

Introduction: This Recommended Practice requires that drawback be paid periodically on goods exported over a certain period e.g. three months. This would apply to exporters who export regularly and have a track record of consistent exports. Such exporters may file one claim for their exports made during a specified period.

Law: The Customs Act and Customs Rules do not provide for the period payment of drawback for goods exported during a specified period.

Practice: According to interviews with the resource persons specified below, practice with respect to export processing zones (free zones) is not in compliance with the recommended practice. It is also non-complaint with respect to normal exports.

Resource Persons:

- Mr. Fateh Mohammad Sheikh, Director IOCO, Customs House, Karachi.
- Mr. Qurban Ali Khan, Additional Collector of Customs, AFU, Islamabad.
- Mr. Aamir Ahmad, Collector of Customs, MCC, PACCS, Customs House, Karachi.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not in compliance with the recommended practice.

Recommendation: A new provision should be added in the Act to allow for the periodic payment of duty drawback on goods exported during a specified period. The Customs Rules should also be amended to establish a detailed procedure governing such periodic payments.

Chapter 4: Processing of Goods for Home Use

The Customs procedure for processing goods for home use is aimed at permitting some imported goods to undergo manufacturing, processing or working so that the amount of duties and taxes at import on the products obtained is less than that which would be applicable to imported goods.

The expression "working" also includes changes in packaging whose effect is to present, for purposes of retail sale, products which, for example, were imported in wholesale packaging. The amount of import duties and taxes might be lower after processing of the imported goods even if the tariff classification were to remain unchanged. This could occur, for example, because the weight of the products obtained is less than that of the imported goods.

The main advantage of this procedure is that it increases the competitiveness of industry, leading to the transfer of industrial activities to the Customs territory and thus preserving jobs. It may also allow the imported goods to be entered under the procedure with a suspension of import duties and taxes and certain economic restrictions. The import duties and taxes are charged then only on the processed products entered for home use. Any prohibitions or restrictions are also applied only to the processed products.

At the beginning of Chapter 4 of Annex F, one specific term applicable to the chapter is defined as follows:

> "Processing of goods for home use" means the Customs procedure under which imported goods may be manufactured, processed or worked, before clearance for home use and under Customs control, to such an extent that the amount of the import duties and taxes applicable to the products thus obtained is lower than that which would be applicable to the imported goods.

There is nothing in the RKC that requires a Contracting Party to adopt into its national legislation the terms and assigned meanings specified in the RKC. So this analysis does not assign a compliance rating with respect to such defined terms. However, we again note that it will be difficult for Pakistan to comply with its obligations under the RKC if certain of the customs-specific terms are not used in Pakistan's customs legislation or - if such a term is used – it is assigned a meaning that differs materially from that specified in the RKC.

Specific compliance issues arising because of terminological or definitional differences between the RKC and Pakistan's national legislation are identified in this report only in the context of the compliance assessment done with respect to a standard or recommended practice that uses a customs specific term defined in the RKC.

We note that we believe that the term "processing of goods for home use" is not a term that needs to be adopted word-for-word into Pakistan's customs regime. In Pakistan this term simply refers to the procedure of clearing goods for import.

Principles

1. Standard	Processing of goods for home use shall be governed by the provisions of this Chapter and, insofar as applicable, by the provisions of the General Annex.

Overall Assessment: Not Applicable

Relevant Law: Not Applicable

Discussion:
Introductory note: Standard 1 mandates that the definitions, standards and recommended practices in Chapter 4 of Specific Annex F shall apply to drawback. Standard 1 also provides that the definitions, standards and transitional standards of the General Annex shall apply *insofar as applicable* to inward processing.

Standard 1 does not establish a requirement that a national customs regime must comply with. It only defines the scope of application of the definitions, standards and recommended practices of Chapter 4 of Specific Annex F. Therefore, it is not possible to provide an overall compliance assessment rating with respect to this standard.

The balance of this chapter contains an assessment, on a standard-by-standard basis, of the extent to which Pakistan's customs regime (its national legislation and practices) complies with the standards and recommended practices established by the RKC's Specific Annex F. When assessing the degree of compliance with any such standard or recommended practice, this report will – whenever relevant - refer to the requirements of Standard 1 within the context of the concerned individual compliance assessment.

Conclusion: Specific compliance issues with respect to Standard 1 are identified throughout this report in the context of the individual compliance assessments done with respect to the substantive standards and recommended practices of the RKC whenever Standard 1 is also implicated.

Recommendation: Similarly, specific recommendations that relate to Standard 1 are provided throughout this report in the context of those individual assessments whenever compliance with Standard 1 is also implicated.

2. Standard	The granting of the procedure of processing of goods for home use shall be subject to the conditions that : - The Customs are able to satisfy themselves that the products resulting from the processing of goods for home use have been obtained from the imported goods; and - The original state of the goods cannot be economically recovered after the manufacturing, processing or working.

Overall Assessment: Compliant.

Relevant Laws:

- SRO 565 (I)/2006, dated 05-06-2006

Discussion:
SRO 565 (I)/2006, dated 05-06-2006 and issued under Section 19 of the Act, provides for a form of processing for home consumption regime. The notification provides a list of inputs that when imported and manufactured into a finished product which is sold in the domestic market shall not bear a duty rate higher than the listed rate of duty. The notification provides for a set of conditions including online application and reporting, declaring input-output ratios and importation through one port. Paragraph viii of SRO 565 authorizes Customs to audit records and the have stocks verified to ensure the compliance of the importer-cum-manufacturer.

Practice: According to interviews with the resource persons specified below, practice is in accordance with SRO 565.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector of Customs, MCC Exports, CH. Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the recommended practice.

Recommendation: No recommendations are deemed necessary at this time.

3. Standard	National legislation shall specify the categories of goods and operations allowed for processing of goods for home use.

Overall Assessment: Compliant.

Relevant Laws:

- The Customs Act, 1969, Section 19
- SRO 71(I)/95 dated 19.01.1995
- SRO 565(I)/2006 dated 05.06.2006
- SRO 567(I)/2006 dated 05.06.2006
- SRO 655(I)/2006 dated 05.06.2006
- SRO 656(I)/2006 dated 22.06.2006

Discussion:
Law: The notifications listed above grant exemption from duties and taxes on specified raw materials and other inputs for use in manufacture, assembly and production of certain products within the country.

Practice: According to interviews with the resource persons specified below, practice is in accordance with SRO 565.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector of Customs, MCC Exports, CH. Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in compliance with the standard.

Recommendation: No recommendations are deemed necessary at this time.

4. Standard	Processing of goods for home use shall not be limited to goods imported directly from abroad, but shall also be granted for goods already placed under another Customs procedure.

Overall Assessment: Non-Compliant.

Relevant Laws:

- SRO 565(I)/2006 dated 05.06.2006

Discussion:
Law: SRO 565 does not provide for goods to be entered under another Customs procedure. Paragraph iii requires goods to be imported via one port or dry port implying direct importation of all goods.

Practice: According to interviews with the resource persons specified below, practice is in accordance with SRO 565.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector of Customs, MCC Exports, CH. Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not in compliance with the standard.

Recommendation: SRO 565(I) 2006 and other relevant SROs are amended to permit the listed products to be entered via other Customs procedures.

5. Standard	The right to process goods for home use shall not be limited to the owner of the imported goods.

Overall Assessment: Substantially-Compliant.

Relevant Laws:

- SRO 565(I)/2006 dated 05.06.2006, Paragraph ix

Discussion:

Law: Paragraph ix of SRO 565 permits the importer-cum-manufacturer to subcontract manufacturing of subcomponents to a third party manufacturer in Pakistan. The paragraph is unclear whether the total manufacturing operation may be conducted by the third party

Practice: According to interviews with the resource persons specified below, practice is in accordance with SRO 565.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector of Customs, MCC Exports, CH. Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in substantial compliance with the standard.

Recommendation: Customs issues a notification clarifying that paragraph ix of SRO 565(I) 2006 permits the owner of the goods to subcontract any processing to a third party under suitable conditions.

6. Recommended Practice	Persons who carry out regular processing of goods for home use should, on request, be granted a general authorization covering such operations.

Overall Assessment: Non-Compliant.

Relevant Laws:

- SRO 565(I)/2006 dated 05.06.2006

Discussion:

Law: SRO 565 does not provide for a general authorization covering regular processing of goods for home use. The importer-cum-manufacturer notifies the tax department within 60 days of consuming the imported inputs.

Practice: According to interviews with the resource persons specified below, practice is in accordance with SRO 565.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector of Customs, MCC Exports, CH. Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not in compliance with the standard.

Recommendation: SRO 565(I) 2006 and other relevant SROs are amended to permit a general authorization covering regular processing of goods for home use.

7. Standard	Processing of goods for home use shall be terminated when the products resulting from the processing are cleared for home use.

Overall Assessment: Substantially-Compliant.

Relevant Laws:

- SRO 565(I)/2006 dated 05.06.2006, Paragraph vii

Discussion:

Law: Paragraph vii of SRO 565 requires the importer-cum-manufacturer to notify the relevant Collector within 60 days of the consumption of the imported goods. The goods shall be processed within 12 months of their importation. The SRO provides for a continuous process of manufacturing using raw materials and components imported periodically. Thus the process is not terminated.

Practice: According to interviews with the resource persons specified below, practice is in accordance with SRO 565.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector of Customs, MCC Exports, CH. Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in substantial compliance with the standard.

Recommendation: No recommendation is deemed necessary at this time.

8. Standard	Where justified by the circumstances and at the request of the person concerned, the Customs shall approve termination of the procedure when the products obtained from the manufacturing, processing or working are placed under another Customs procedure, subject to compliance with the conditions and formalities applicable in each case.

Overall Assessment: Non-Compliant.

Relevant Laws:

- SRO 565(I)/2006 dated 05.06.2006

Discussion:
Law: SRO 565 does not provide for the imported goods to be placed under another Customs procedure. The importer-cum-manufacturer would be liable for the duties and taxes on the imported goods and would have to seek drawback if they were then entered into a free zone or warehouse.

Practice: According to interviews with the resource persons specified below, practice is in accordance with SRO 565.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector of Customs, MCC Exports, CH. Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are not in compliance with the standard.

Recommendation: SRO 565(I) 2006 could be amended to permit the importer-cum-manufacturer to enter the goods into a free zone or warehouse rather than complete their manufacture for home use.

9. Standard	Any waste or scrap resulting from the processing of goods for home use shall be liable, if cleared for home use, to the import duties and taxes that would be applicable to such waste or scrap imported in that state.

Overall Assessment: Substantially-Compliant.

Relevant Laws:

- Customs Act, 1999, Section 95(2)
- SRO 565(I)/2006 dated 05.06.2006

Discussion:
Law: SRO 565 does not provide for the duty treatment of waste or scrap produced as a by-product of the manufacturing process. However, Section 95(2) of the Act provides that such waste produced from manufacturing within a Customs warehouse shall be subject to duties as if it had been imported into Pakistan. Therefore, it is likely that duties would apply to waste under this standard.

Practice: According to interviews with the resource persons specified below, practice is in accordance with SRO 565 and Section 95 of the Act.

Resource Persons:

- Dr. Nadeem Memon, Additional Collector of Customs, MCC Exports, CH. Karachi.
- Mr. Munir Ahmad, Superintendent (Exports), MCC Sambrial, Sialkot.
- Mr. Mohammad Israr Khan, Principal Appraiser Dry Port, MCC, Islamabad.

Conclusion: Based on the above research, it appears that Pakistan's law and practice are in substantial compliance with the standard.

Recommendation: Customs clarifies that any waste is subject to duties as if imported into Pakistan in that form.