

**THE OPEN BONDED MANUFACTURING RULES, 1989**

**Notification No. S.R.O. 722(I)/89, dated 10th July, 1989.**--In exercise of the power conferred by section 219 of the Customs Act, 1969 (IV of 1969), section 37 of the Central Excises and Salt Act, 1944 (I of 1944), and section 39 of the Sales Tax Act, 1951 (III of 1951), the Central Board of Revenue is pleased to make the following rules, namely:-

1. **Short title, application and commencement.**--(a) These rules shall be called the Open Bonded Manufacturing Rules, 1989.  
  
(b). These rules shall be applicable only for the manufacture of garments, made-up textiles and printed or crocheted articles.  
  
(c). These rules shall come into force on the expiration of a period of three months from the date of their issue.
2. **Definitions.**-- In these rules, unless there is anything repugnant in the subject or context,--
  - a. "Acts" means the Customs Act, 1969 (IV of 1969), the Central Excise and Salt Act, 1944 (I of 1944), and the Sales Tax Act, 1951 (III of 1951);
  - b. "Analysis Card" means a certificate issued by Chief, Survey and Rebate, Central Board of Revenue, or any other officer authorized by the Central Board of Revenue in this behalf, of per unit consumption of raw materials for the manufactured products, in the form set out in Appendix II;
  - c. "indirect exporter" means a person supplying locally manufactured raw materials and intermediary products, while claiming repayment of customs duties, rebate of central excise duty and refund of sales tax to the manufacturer under these rules;
  - d. "intended manufacturer" means any persons who files an application for manufacture under these rules;
  - e. "intermediary products" means any goods in any shape prior to the stage at which they become manufactured products;
  - f. "manufacture" means any process incidental or ancillary to the completion of products manufactured under these rules;
  - g. "manufactured products" means any goods manufactured under these rules;
  - h. "manufacturer" means any person engaged in the process of manufacture and duly authorized to do so under these rules;
  - i. "raw material" means any material approved as such y Chief, Survey and Rebate, Central Board of Revenue or any other officer authorized by the Central Board of Revenue in this behalf;
  - j. "vendor" means a person to whom raw materials are provided by the manufacturer for partial processing any manufactured products or intermediary product.

**3. Establishment of Open-Bonded Manufacturing Control Office:**-An Open Bonded Manufacturing Control Office shall be created in the Bond Section of every Customs House, under the supervision of Assistant Collector of Customs, incharge Bonds, to monitor raw materials procured and goods manufactured and to perform control functions of manufacture under these rules.

**4. Licensing.--**

1. The Collector of Customs may issue licences and permissions to manufacturers to operate under these rules, subject to such conditions and restrictions as he may prescribed.
2. Every application for licence under these rules shall be made in such form as may be prescribed by the Collector of Customs.
3. Every licence granted under these rules may be cancelled by the Collector of Customs on conviction of the licensee for any offence under the Acts or these rules or for infringement of any condition provided in the licence, after the expiration of one month from the date on which a notice in writing is given to the licensee by the Collector of Customs to show cause against the proposed cancellation.
4. Pending consideration whether a licence be cancelled under sub-rule (3), the Collection of Customs may suspend the licence.

**5. Application.--**The intended manufacturer shall apply to the Chief, Survey and Rebate, Central Board of Revenue, or any other officer authorized by the Central Board of Revenue, in this behalf in the form set out in Appendix II, giving details of goods to be manufactured, along with four samples each of raw materials and goods to be manufactured.

**6. Analysis Card.--**

1. The Chief, Survey and Rebate, Central Board of Revenue, or any other officer authorized by the Central Board of Revenue in this behalf shall issue an analysis card after consultation, any other government department, organization or expert as he may think fit.
2. The analysis card shall be issued in respect of each manufactured products separately.
3. Four copies of the analysis card shall be prepared and of those the original along with certified samples shall be forwarded to and kept by Open Bonded Manufacturing Control Office, the duplicate copy along with certified samples shall be forwarded to and kept in the office of the Assistant Collector, Central Excise, having jurisdiction, the triplicate copy along with certified samples shall be forwarded to any kept by the manufacturer, the quadruplicate copy along with certified samples shall be kept by the issuing authority.

**7. Procurement of raw materials.--**The following categories of raw materials may be procured by the licensee under the rules:-

- a. raw materials that are imported without the payment of duties and taxes by the manufacturer directly;
- b. raw materials that are procured from the local sources and on the export of which repayment, rebate or refund is admissible under the Act.

- c. raw materials and intermediary goods that are procured from the local sources on the manufacture of which duties and taxes are leviable but the same are received without the payment of duties and taxes; and
- d. raw materials that are procured from the local sources and on the manufacture of which no duties and taxes are leviable.

**8. Manner of procurement of raw materials.--**(1) In respect of procurement of the raw materials mentioned in clause (a) of rule 7, the manufacturer shall:--

- i. at the time of import, file a bill of entry for bond and the provisions of Chapter IX of the Customs Act, 1969 (IV of 1969), shall be applicable;
- ii. at the time of import, make a declaration on all copies of the bill of entry to the effect that import has been effected for the purpose of manufacture under these rules and shall also give the particulars of analysis card;
- iii. remove the imported raw materials from the Customs Area, under intimation to the Open-Bonded Manufacturing Control Office; and
- iv. after completion of requirement of clauses (i), (ii) and (iii), remove the imported raw materials for the purposes of manufacture under these rules.

(2) In respect of procurement of raw materials as mentioned in clause (b) of rule 7;

- i. the manufacturer shall ask the supplier of such goods to present a bill of export, under claim of repayment, rebate and refund, to the Assistant Collector designated for the purposes of export in whose jurisdiction the manufacturer is located along with following documents:-
  - a. a copy of the contract duly signed by the supplier of such goods and the manufacturer;
  - b. a copy of the invoice duly attested by the Chamber of Commerce and Industry of the area; and
  - c. a certificate from the Chamber of Commerce and Industry of the area confirming the contracted price.
- ii. the bill of export shall be machine numbered and processed;
- iii. the goods shall be examined at the premises of the manufacturer and samples shall be drawn in the same manner as is done in case of goods meant for export.
- iv. the manufacturer and the Open-Bonded Manufacturing Control Office shall certify the fourth copy of the bill of export to the effect that goods were received in full with actual date of receipt;
- v. the Open-Bonded Manufacturing control Office shall register the raw materials so procured;
- vi. the crucial date for the determination of f.o.b value and the rates of repayment, rebates and refunds shall be the date of filing of bill of export, in case the goods are delivered within seven days of its

filing, otherwise it will be the date of actual delivery of goods;

- vii. the claims for repayment, rebate and refund shall be filed in the same Collectorate, where the bill of export was filed, within two hundred and ten days of the delivery of goods.
- viii. the repayments rebates and refunds shall be granted under the Acts and in accordance with the rates and conditions as laid down in the relevant Notification;
- ix. the value for the purposes of repayments, rebates and refund shall be as defined in terms of section 25 of the Customs Act, 1969 (IV of 1969); and
- x. the payments for raw materials procured shall be made by opening of letters of credit in the scheduled banks.

(3) In respect of procurement of raw materials as mentioned in clause (c) of rule 7,--

- i. such procurement shall be deemed to be export and the relevant provisions of the Central Excises and Salt Rules, 1944, shall apply and the appointed officer of Customs for the purposes of rule 187 of the Central Excises and Salt Rules, 1944 shall be the officer incharge of Open Bonded Manufacture Control Office; and
- ii. the manufacturer, before taking possession of such goods, shall have the quantities recorded with the Open Bonded Control Office.

(4), In respect of procurement of raw materials as mentioned in clause (d) of rule 7, the manufacturer, shall take possession of such goods under intimation to the Open Bonded Control Office.

**9. Manner of storage.**--(1) Raw materials shall be stored at a separate place, consignment wise, and card shall be displayed on each consignment showing total quantities procured, the date of procurement and quantities held in balance.

(2) Intermediary products shall be stored separately and cards shall be displayed showing entries corresponding to those on the bin cards of the relevant analysis card.

(3). Manufactured products shall be stored separately and cards shall be displayed showing entries corresponding to those on the bin cards of the relevant raw materials and intermediary products along with particulars of relevant analysis card.

**10. Guarantees.**--(1) At the time of registration of goods with the Open Bonded Manufacturing Control Office, the manufacturer shall submit a bank guarantee equivalent to the amount of duties and tax leviable under the Acts or equivalent to the amount of duties and taxes repayable, rebate able and refundable under the Act, as the case may be.

- 2. In lieu of a bank guarantee provided for in sub-rule (1), the manufacturer may enter into a general bond as set out in appendix III with the Collector of Customs to cover such amounts as may be specified under sub-rule (1). such general bonds shall be based upon such securities which banks ordinarily accept for extending credit.
- 3. In the lieu of a bank guarantee or general bond provided for in sub-rule (1) and (2), the manufacturer may submit a revolving bank guarantee equivalent to the amounts to be specified

under sub-rule(1).

4. The sum total of amount of duties, taxes, repayment, rebates and refunds shall not exceed the amount mentioned in bond or guarantees accepted under sub-rules (2) and (3).
5. The Collector of Customs may in his discretion accept insurance guarantee in lieu of bank guarantee.

**11. Consumption of raw materials in manufacture.**--(1) The raw materials shall be consumed in accordance with the scale laid down in the analysis card.

(2) The raw materials shall be consumed within six months of the registration with the Open-Bonded Manufacturing Control Office, or within any extended time approved by the Collector of Customs.

**12. Vendors.**--(1) The manufacturer may remove raw materials and intermediary products out of this manufacturing premises for partial manufacture or processing by the approved vendors.

(2) The vendors for the purpose of sub-rule (1) shall be approved by the authority that issued the analysis card.

(3) The removal and receipt of goods to and from vendors shall be effected under intimation to the Open-Bonded Manufacturing Control Office.

(4) If the manufacturing process performed by the vendor is liable to excise duty or sales tax, the process goods shall be returned to the manufacturer in such manner as if these are exported. Provisions of the Central Excise Rules, 1944, shall apply and the appointed officer for the purpose of rule 187 of the Central Excises Salt Rules, 1944, shall be the office incharge of the Open Bonded Control Office.

**13. Export of Manufactured Products.**--(1) The manufactured products shall be exported within three months of their manufacture.

(2) The manufacturer shall file a bill of export with the Assistant Collector, Export, designated for the purpose after its registration with the Open-Bonded Manufacturing Control Office and all the formalities of export shall be fulfilled.

(3) The manufacturer shall make a declaration on all copies of the bill of export to the effect that the manufacture has been done under these rules of the.

(4) Export shall be allowed after the satisfaction of the Officer Incharge of the Open Bonded Manufacturing Control Office as to the following:-

- i. the raw materials procured under these rule have been duly consumed in the manufacture of the goods being exported; and
- ii. the raw materials procured under these rules have been duly consumed in accordance with the analysis card.

(5) Export under these rule shall be made against letter of credit established for the purpose.

(6) After the exportation is completed and certified by Customs Export Section, the manufacturer shall

produce a certificate copy of the bill of export to the Collector of Customs for the discharge of guarantee furnished by him at the time of receipt of the raw materials in the Open-Bonded Manufacturing Control Office or adjustment against general bond or revolving insurance or bank guarantee, as the case may be.

**14. Clearance of manufactured products for home consumption.--** (1) Removal of goods for home consumption may be allowed upto twenty per cent of the total manufactured product.

(2) Removal of goods manufactured under these rules of home consumption may be allowed s if these are being imported into the country and subject to the import restrictions and other formalities required for imports from abroad and on payment of customs duties and other duties and taxes leviable on such imports.

(3) Normal value for the purposes of assessment shall be the sum total of the value of raw materials procured under sub-rules (a), (b) and (c) of rule 7.

**15. Clearance of manufactured products being quality rejects.--**(1) any goods rendered unfit for export on account of quality defects or returned by the buyer on account of inferior quality, may be removed for home consumption subject to the import restrictions and other formalities required for import from abroad and on payment of other duties and taxes leviable on such imports.

(2) Normal value for assessment shall be the value appraised by an officer of customs not below the rank of an Assistant Collector. However, in no case shall such value exceed the value as defined in sub-rule (3) of rule 14.

**16. Destruction of raw materials or manufactured products.--**Any raw material procured for manufacture or manufactured products that are rendered unfit for consumption or sale may be allowed to be destroyed by an officer of customs not below the rank of an Assistant Collector in such manner as may be prescribed by the Collector of Customs.

**17. Unaccounted goods.--**If any manufacturer fails to give proper account of the procured raw materials, intermediary products or manufactured products to the satisfaction an Officer of Customs not below the rank of an Assistant Collector, the manufacturer shall pay on demand an amount equal to the duties and taxes leviable thereon as if they are imported and shall also be liable to pay penalties for such violation under the Acts and the rules made there under.

**18. Remission of duties.--**Subject to the satisfaction of the Collector of Customs, the duties and taxes, if any, may be remitted in full or in part as the case may be , in the following cases, namely:-

- a. when any goods are damaged or destroyed by unavoidable circumstances or for causes beyond the control of the manufacturer; or
- b. when the waste of the goods is destroyed in accordance with rule 16; or
- c. when goods procured are bona fide samples drawn under these rules or samples for study, testing or design.

**19. Transfer of ownership.--**Transfer of ownership of raw materials recorded with Open-Bonded Manufacturing control Office shall not be allowed.

**20. Records.--**(1) The manufacturer shall maintain records of raw materials showing.--

- i. Sr. NO.
- ii. Description of raw material.
- iii. Quantity of raw material.
- iv. Date of procurement of raw material
- v. The number and date of Bill of Entry, Bill of Export and Central Excise Documents, as the case may be
- vi. The amount of duties and taxes leviable under the Acts or the amount of repayment, rebate and refund allowed under the Acts.
- vii. The quantity consumed in the manufacture of goods exported or cleared for home consumption.
- viii. Sr. No. of the relevant entry in the record of products exported or cleared for home consumption.
- ix. The quantity destroyed
- x. The amount of duties and taxes leviable under the Acts or the amount of repayment, rebate and refund allowed under the Act, for the quantity mentioned at (x)

(2) The manufacturer shall maintain records of manufactured products showing.--

- i. Sr. NO.
- ii. Description of manufactured goods
- iii. Quantity of manufactured products
- iv. Date of manufacture
- v. Analysis Card No.
- vi. Quantity wise analysis of raw materials consumed
- vii. Sr. Nos. of the entries of records of raw materials consumed.
- viii. Date of export or clearance for home consumption
- ix. Sr. NO. of the records of export or clearance for home consumption.

(3) The manufacturer shall maintain records of manufactured products exported or cleared for home consumption showing:-

- i. Sr. No.
- ii. Description of goods

- iii. Quantity of goods
  - iv. Invoice No. & Date
  - v. Bill of export of Bill of Entry for home consumption No. & date.
  - vi. Export General Manifest No. and date in case of exported goods
  - vii. Sr. No. of the records of manufactured products.
  - viii. Amount of duties and taxes paid in case of goods cleared for home consumption.
  - ix. Particulars, mode and date of payment of amount paid as at (vii).
- (4) The manufacturer shall maintain records of raw materials and intermediary products and their movement to and from vendors showing:--
- i. Sr. No.
  - ii. Description of raw materials supplied
  - iii. Quantity of raw materials supplied
  - iv. Date of raw materials supplied
  - v. Sr. NO. of the records of raw materials
  - vi. Name and address of vendor
  - vii. Analysis Card No.
  - viii. Process to be carried out
  - ix. Description of intermediary products received back
  - x. Quantity of intermediary products received back
  - xi. Date of intermediary products received back
  - xii. Amount of central excise duty and sales tax involved, if there is a levy on the manufacture of intermediary products.
- (5) The maintenance of records required by sub-rules (1), (2), (3) and (4) above shall be computerized and manual both.
- (6) Every entry in the manual records shall be initialled by the manufacturer or his authorized agent.
- (7) The manufacturer shall produce records for inspection and audit on demand by an officer of Customs not below the rank of an Assistant Collector or any other officer authorized by him.

**21. Maintenance of records by vendors.**--The vendors shall maintain records of raw materials and intermediary products showing:--

- a. Sr. No.
- b. Description of raw material received
- c. Quantity of raw materials received
- d. Date of raw materials received.
- e. Name and address of the manufacturer.
- f. Analysis Card No.
- g. Process to be carried out
- h. Description of intermediary products to be manufactured.
- i. Quantity of intermediary products supplied to manufacturer.
- j. Date of supply of intermediary products entered at (i)
- k. Amount of central excise duty and sales tax involved if there is a levy on the manufacture of intermediary products.

**22. Maintenance of Records in the Open-Bonded Manufacturing Control Office.**--(1) Records shall be maintained in the Open Bonded Manufacturing Control Office parallel to the records prescribed for manufacturers in rule 20.

(2) A separate ledger for each manufacturer shall be maintained.

**23. Penalties.**--Any each of these rules may be dealt in terms of the relevant provisions of the Acts.

### Appendix-I

#### ANALYSIS CARD

No \_\_\_\_\_ Date \_\_\_\_\_

1. Name of Manufacturer \_\_\_\_\_
2. Office Address of Manufacturer \_\_\_\_\_
3. Bonded Address of Manufacturer \_\_\_\_\_
4. Open Bonded Manufacturing Control Office \_\_\_\_\_
5. Product Manufactured (detailed specifications): \_\_\_\_\_

6. Raw Materials used \_\_\_\_\_

Sr.No.	Raw material	Per unit requirement	Wastage
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i.

ii.

iii.

iv.

v.

vi.

vii.

viii.

ix.

x.

7. Approved vendors.

Sr.No.	Name and address	Process to be carried out	Per unit requirement	Wastage
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i.

ii.

iii.

iv.

v.

8. Average cost of raw materials \_\_\_\_\_

9. Average burden of duties and taxes \_\_\_\_\_

10. Average f.o.b.value \_\_\_\_\_

11. Any special instructions \_\_\_\_\_

Countersigned by

Prepared by

Chief, Survey and Rebate,  
CBR, Islamabad/Authorised Officer.

Signature and seal.

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**Appendix-II**

**APPLICATION IN TERMS OF RULE 5**

1. Name of Manufacturer \_\_\_\_\_
2. Address (i) Office Telephone No. \_\_\_\_\_  
(ii) Factory Tel. No. \_\_\_\_\_
3. Is the manufacturer recognized by any \_\_\_\_\_  
Government Department? \_\_\_\_\_
4. Are raw materials procured and \_\_\_\_\_  
products manufactured by the same firm? \_\_\_\_\_
5. Is partial processing/ (i) manufacturing \_\_\_\_\_  
done by vendors? If yes, give name and \_\_\_\_\_  
addresses of vendors alongwith details of \_\_\_\_\_  
manufacturing (iii) carried out by them \_\_\_\_\_  
(use more space if required):
6. Would the applicant be prepared to furnish a Bank \_\_\_\_\_  
guarantee of the amount considered adequate \_\_\_\_\_
7. Description of manufactured products together \_\_\_\_\_  
with unit of trade packing \_\_\_\_\_
8. Quantity of raw materials required/ used in each unit of production and percentage of wastage.

			Value in foreign	Burden of duties &			Purchased	Purchased locally	
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Sr.No.	Description of raw materials	Quantity used per unit	currency and value in Pak Rs	taxes on quantities as at (3)	Percentage of wastage	Imported	locally under rebate claim	without payment of duties and taxes	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

9. Cost of production per unit

of the manufactured products\_\_\_\_\_

10. Ex-factory whole sale cash price\_\_\_\_\_

11. Actual or estimated export price

per unit (f.o.b) \_\_\_\_\_

12. Are accounts maintained to show the

quantity of the raw materials consumed

in the manufacture\_\_\_\_\_

Note:- For Manufacturer's Guidance

Supporting documents shall be enclosed to substantiate the information provided above.

### DECLARATION

1. I/We hereby declare that the information furnished by me / us is true to the best of my /our knowledge and belief.
2. I/We would produce further documentary evidence in support there of if and when called for
3. I/We also agree to abide by any such specific conditions as may be laid down from time to time
4. I/We also agree to inform the Chief survey and Rebate, Central Board of Revenue, or any officer authorized in this behalf of any change in the information provided in this application.

Signature of the applicant

Date\_\_\_\_\_

To,

The Chief, Survey and Rebate, Central Board of Revenue,

Islamabad / Authorized Officer.

Copy to :-

1. Collector of Customs (See rule 4)
2. Assistant Collector of Customs, Incharge Open Bonded  
Manufacturing Control Office.

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### Appendix-III

#### See Rule 10(2)

(ON APPROPRIATELY STAMPED NON-JUDICIAL PAPER)

#### INDEMNITY BOND

This deed or indemnity is made on the \_\_\_\_\_ day of 19\_\_\_\_ between  
M/s. \_\_\_\_\_ who have registered office at \_\_\_\_\_

\_\_\_\_\_ (hereinafter called "the manufacturer" which means and includes their  
successors, administrators, executors and assignees) of the one part, and the President of Pakistan  
through the Collector of Customs \_\_\_\_\_ (hereinafter called "the Collector of Customs")  
of the other part;

WHEREAS, the Central Board of Revenue has in accordance with its decision contained in  
the Open-Bonded Manufacturing Rules, 1989, allowed procurement of raw materials without the burden  
of duties and taxes and subject to the said rules;

AND WHEREAS the raw materials so procured shall be consumed in accordance with the  
aforesaid Rules, requiring the manufacturers to:

- i. observe rules procedures and instructions that may be prescribed in respect of manufacture in  
terms of the aforesaid Rules;
- ii. maintain detailed accounts as prescribed in respect of manufacture of goods etc.
- iii. pay on demand all duties, taxes, repayments, rebates and refunds, not levied or paid under the  
rules, on the procurement of raw materials, which are not accounted to the satisfaction of the  
Collector of Customs and to pay any penalties imposed by the Collector of Customs/adjudicating  
officer for violation of these rules or the Acts.
- iv. abide by such further conditions imposed by the Collector of Customs as may be necessary for the  
purpose of identification and accounting of raw materials used in the manufacture of products.
- v. keep the manufacturing facilities open for inspection by the Customs officer
- vi. handover the raw materials which are not consumed within the stipulated period for disposal as  
per rules
- vii. hand over the manufactured products not cleared for export or home consumption within the

stipulated period for disposal as per rules;

NOW, THESE PRESENTS WITNESS that in pursuance of this BOND the manufacturers \_\_\_\_\_ hereby agree to indemnify the said Collector of Customs for loss of revenue to the extent of Rs \_\_\_\_\_ (Rupees \_\_\_\_\_) and also against costs and expenses which may be incurred by the Collector of Customs in recovery of the above amount of revenue;

It is further agreed that the above amount may be recovered as an arrear of land revenue under sub-section (2) of section 202 of the Customs Act, 1969 (IV of 1969), if the manufacturers fail to abide by any condition laid down in the aforesaid Rules;

IN WITNESS WHEREOF the parties hereto have hereto put their hands and seals the day above written.

(1) M/s \_\_\_\_\_

\_\_\_\_\_  
Address \_\_\_\_\_

(2) (Name and permanent address)

for and on behalf of the President

#### WITNESSES

1. \_\_\_\_\_ (Signature, Name, designation, full address and NIC No) \_\_\_\_\_

2. \_\_\_\_\_ (Signature, Name, designation, full address and NIC No) \_\_\_\_\_

#### NOTES:

Notes--(1) The witness should be government servants in BPS-16 or above, or Oath Commissioner, Notary Public or an Officer of a Scheduled Bank.

(2) This Bond should be based upon proper collateral security in the shape of NIT units, Defence Saving Certificates, Khas Deposit Certificates, Bearer Bonds and such other securities which generally accept for extending credit.