

Government of Pakistan
Revenue Division
Federal Board of Revenue
Inland Revenue

C.No.7(1)TIPU/IR/2020/115958

Islamabad, August 10, 2021

Circular No. 3 of 2022 – Operations
(Inland Taxes)

Subject: Finance Act, 2021 – Taxation of Erstwhile FATA/PATA Domiciled Industries

A number of significant amendments have been introduced via Finance Act, 2021 in the Sales Tax Act, 1990 (hereinafter “STA, 1990”) as applicable to various industries located in erstwhile FATA/PATA regions. The most important change brought about by the Finance Act 2021, is vis-à-vis the new entry No. 74 added in 8th Schedule to the STA, 1990, to charge sales tax @ 16% on all “Goods supplied from tax-exempt areas of erstwhile FATA/PATA to the taxable areas.”

2. Accordingly, a FATA/PATA-domiciled person having status of “Active Taxpayer” in terms of Section 2(1) of the STA, 1990 would continue to import raw materials for consumption at his own manufacturing site against deposit of post-dated cheques (PDC) in line with its determined installed production capacity. The Importation, Transportation, Exemption (from import-stage income tax), and Consumption of raw materials have been elaborately dealt with vide FBR’s CGO # 1 of 2021, Circular # 5 of 2021, Circular # 9 of 2021 and Circular No.13 of 2021, which continue to be applicable.

3. In order to facilitate the operationalization of benefits laid down in the law, the FATA/PATA-domiciled industrial units may acquire installed capacity determination certificate (ICDC) from the Khyber Pakhtunkhwa Department of Industries or the Ministry of Industries, Government of Pakistan. The Commissioner concerned shall accept the ICDC presented until he has reasons to believe that the actual capacity installed is less than the capacity determined and certified. It goes without saying that only the goods meant for value addition are to be imported and not finished products.

4. In order to undertake foolproof surveillance of exit points from non-taxable to taxable territories, Inland Revenue Enforcement Network (IREN) check posts under Section 40D of the STA, 1990 are being established and functionalized to ensure that due tax is paid at the rate of 16 percent on goods supplied into taxable territories. The Regional Tax Office, Peshawar shall also establish a tax office in Malakand Division for prompt release of consignments, processing of Consumption and Exemption Certificates and effective and timely implementation of law in letter and spirit.



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