

Ref : KTBA/09.2022/139

Date : September 08, 2022

**Mr. Asim Ahmad,**  
Hon'ble Chairman,  
Federal Board of Revenue,  
Islamabad.

**NO MONTHLY SALES TAX RETURNS OPTION TO REPORT SALES BY PHARMACEUTICAL INDUSTRY POST FINANCE ACT, 2022**

*Dear Asim Sahab,*

Through this letter we would like to invite your necessary attention towards implications being faced by our members after amendments introduced in the Sales Tax Act, 1990 (the Act) through Finance Act, 2022 in respect with pharmaceutical industry.

2- As you must be aware that through the Finance Act, 2022 the Serial No.19 of the Fifth Schedule to the Act containing "substances registered as drugs" was omitted and new serial Nos. 81 and 82 were introduced in Table-1 of the Eighth Schedule to the Act. The whole text of the new entries is being reproduced hereunder to facilitate a quick reference:

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Condition
(1)	(2)	(3)	(4)	(5)
81.	<b>Manufacture</b> or import of <b>substances registered</b> as drugs under the Drugs Act, 1976 (XXXI of 1976)	Respective Heading	1%	Subject to the conditions that: (i) <b>Tax charged</b> and deposited by the <b>manufacturer</b> or importer, as the case may be, shall be <b>final discharge of tax in the supply chain</b> . (ii) No input tax shall be adjusted by the manufacturer or importer.
82.	<b>Active Pharmaceutical ingredients</b> , excluding excipients, <b>for manufacture of drugs</b> registered under the Drugs Act, 1976 (XXXI of 1976) or <b>raw materials</b> for the <b>basic manufacture</b> of pharmaceutical active ingredients.	Respective Heading	1%	Subject to the conditions that: (i) DRAP shall certify item-wise requirement of <b>manufacturers of drugs and APIs</b> and in case of import shall furnish all relevant information to Pakistan Customs Computerized System; and (ii) No input tax shall be adjusted by the manufacturer or importer.



The above amendments suggest that the manufacturer/importer of drugs shall charge and pay 1% sales tax, which would be final discharge of their sales tax liability in the entire supply chain of pharma products. This clearly implies that if a manufacturer or an importer has paid the above 1% sales tax on supply or import of finished goods (drugs), respectively, then no sales tax would be applicable on the subsequent supply of such pharma goods.

## **ISSUES:**

3- We would like to draw your attention towards the following practical issues, which are being faced by pharmaceutical industry owing to recent amendments:

- Reference of serial No.19 of Fifth Schedule to the Act is not being appeared at the time of declaring sales returns/cancellation through credit/debit notes at Annexure-C (uploaded through invoice management system). Consequently, sales returns pertaining to January 2022 to June 2022 made @ 0%, are not being declared in the tax periods of July 2022 and August 2022.
- Option for reporting exempt sales made by pharmaceutical distributors is not available at Annexure-C (uploaded through invoice management system) for the tax period of July 2022 due to which, pharmaceutical distributors are unable to file their monthly sales tax return.

## **EMAILS NOT ENTERTAINED:**

4- It is regretfully submitted that multiple queries have already been raised vide emails at FBR helpline by our members but till to date no solution or a guideline has been provided or explained.

In view of the above, we would request you to kindly make necessary amendments in IRIS so that the pharmaceutical distributors are enabled to file their monthly sales tax returns in timely manner.

Meanwhile, till the issue highlighted above remains unresolved, your office is requested to intervene **AND CONDONE THE DUE DATE FOR FILING MONTHLY SALES TAX RETURNS FOR PHARMACEUTICAL INDUSTRY.**

We hope that you will care to look into the above matter at the earliest and will provide redressal to the taxpayers connected with Pharma Industry and their distributors as these taxpayers are contributing their due share into the Government Exchequer as their moral and legal obligation.

Thanking You,  
Yours sincerely,

  
(Syed Rehan Hasan Jafri)  
President  
Mobile: +92-321-9234960  
E-mail: [rehan.jafri45@gmail.com](mailto:rehan.jafri45@gmail.com)  
[info@karachitaxbar.com](mailto:info@karachitaxbar.com)

C.C to :

- i. **Malik Amjad Zubair Tiwana**, Member- IR (Operations), FBR, Islamabad.
- ii. **Mr. Afaq Ahmed Qureshi**, Member (Inland Revenue – Policy), FBR, Islamabad.
- iii. **Secretary (ST & FE-Policy)**, FBR, Islamabad.
- iv. **Mr. Mehboob-ur-Rehman**, Manager Development, Pakistan Revenue Automation Limited, Islamabad.
- v. **Mr. Rana Munir Hussain**, President, Pakistan Tax Bar Association
- vi. **Press and Media**