

Government of Pakistan
Revenue Division
Federal Board of Revenue

C. No. 1/2-STB/2019

Islamabad, the 13th September, 2019

SALES TAX GENERAL ORDER NO. 105 / 2019

SUBJECT: **ADJUSTMENT / REFUND OF SALES TAX PAID UNDER SPECIAL PROCEDURES**

Through the budgetary measures for the financial year 2019-20, special procedures and other treatments for various sectors have been abolished and instead standard sales tax regime with right to input tax adjustment have been prescribed with effect from 1st July, 2019. It has been pointed out that the goods on which sales tax has been paid under special procedures prior to 1st July, 2019, were in stock on 30th June, 2019, and the same would be supplied after the said date, thus attracting sales tax under standard regime at applicable rate, subjecting the goods to double / increased incidence of tax. It has been further pointed out that under special procedures, input tax adjustment was not allowed. However, if such input goods, or finished goods made from these inputs, are supplied after 30th June, 2019, the right of input tax is created. The taxpayers have requested to provide a mechanism to avail such adjustment or for refund of tax paid in excess.

2. Acknowledging the position as highlighted, the Board intends to resolve the issue as under:

(1) **Steel Sector: Melters:**

Adjustment against GDs of re-meltable scrap imported prior to 1st July, 2019, which remained in stocks or the finished goods made therefrom remained in stock on 30th June, 2019, shall be made available to the extent of that consumed in supplies made in July and August 2019, provided no adjustment of tax paid on such GDs was made against sales tax on electricity bill as was provided under the Sales Tax Special Procedures Rules, 2007.

However, such adjustment shall be made available, on case-to-case basis, if the Commissioner concerned verifies the stock position on 30th June, 2019, as declared online by such steel melters. The verification may be done by working back from current physical stocks and production and sales of intervening period after ensuring that the declared production is not below one metric ton per 800 units of electricity consumed during the intervening period. The adjustment to be allowed shall not exceed the stock as so verified or the stock as declared online, whichever is lower.

(2) **Oil and Ghee Mills:**

Adjustment shall be available in respect of 16% FED against imports made in June, 2019, as available in stock on 30th June, 2019, in the same form or in the form of finished goods,

as consumed in sales made during July and August, 2019. Adjustment shall be made to the extent of sales actually made in each month.

Refund of Rs. 1 / kg paid on inputs:

If inputs on which Rs. 1 / kg FED was paid on import or local purchase and the same, or the finished goods made therefrom, remained in stock on 30th June, 2019, such Rs. 1 / kg becomes payment in excess if such finished goods are supplied after 30th June, 2019, with payment of due tax / FED at 17%. The refund of such Rs. 1 / kg, so paid in excess, may be allowed by the field formations, under section 66, after due scrutiny and as per law, after ensuring that the finished goods produced from such inputs have been supplied and FED payable at 17% has been duly accounted for in the relevant return.

(3) Extra Tax Items as specified in Chapter XI of rescinded Sales Tax Special Procedures Rules, 2007:

Adjustment shall be available against invoices showing 17% input tax on purchases of specified goods during June, 2019, which were in stock on 30th June, 2019, and were sold in July and August 2019. These invoices as declared in June, 2019 return shall be made available for adjustment. Adjustment shall be made to the extent of sales actually made in each month.

Refund of 2% extra tax:

If purchases of specified goods inputs on which 2% extra tax was paid, remained in stock on 30th June, 2019, such 2% extra tax becomes payment in excess if such finished goods are supplied after 30th June, 2019, with payment of due sales tax at 17%. The refund of extra tax, so paid in excess, may be allowed by the field formations, under section 66, after due scrutiny and as per law, after ensuring that the goods involved supplied and sales tax at 17% has been duly accounted for in the relevant return.

General Guidelines:

- There shall be only one adjustment of input tax against a particular GD or invoice.
- In case part input tax is adjustable against a particular GD or invoice, the inadmissible amount may be reflected in Column 7 of the return.
- Field formations shall monitor input tax adjustments as provided herein and ensure that the same have been rightfully made.
- The adjustment shall be made against stocks on 30th June, 2019, as declared on FBR's website. In case of any mis-declaration of such stocks, or adjustments in excess of amount of tax involved in actual stocks shall be recovered under law
- Adjustment / refund shall only be made in respect of supplies as already made on payment of tax due.


(Tauqeer Ahmed)
Secretary (ST&FE-Budget)