

(This Notification has been rescinded vide SRO 500(I)/2013 dated 12th June, 2013)

**VERSION - 2**

(As amended vide added SRO 540(I)/2008 dated 11th June, 2008)

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**GOVERNMENT OF PAKISTAN  
MINISTRY OF FINANCE, ECONOMIC AFFAIRS  
STATISTICS AND REVENUE  
(REVENUE DIVISION)**

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Islamabad, the 24<sup>th</sup> August, 2007

**NOTIFICATION  
(SALES TAX)**

**S.R.O. 863(I)/2007.**-In exercise of powers conferred under section 4 of the Sales Tax Act, 1990, the Federal Government is pleased to declare that sales tax shall be charged at the rate of zero per cent on raw materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of goods specified in column (2) of the Table below subject to the following conditions, namely: -

- (i) a sales tax registered manufacturer of the items mentioned in the Table having suitable in-house facilities shall submit a complete list in the format prescribed in Annex-A of his annual requirement of items (inputs) he intends to import or purchase locally for the manufacture of goods mentioned in column (2) of the table to the Collector of Sales Tax and Federal Excise having jurisdiction;
- (ii) the Collector shall accept the declaration of input output ratio of the manufacturer without any physical verification in case the declared input/output ratio and raw material requirement is in accordance with the prevailing industry average or the raw material consumption pattern of the applicant manufacturer. Format of the approval is prescribed as Annex-B. In case the Collector is not satisfied with declared input output ratios of the items to be manufactured because of their being *prima facie* not in accordance with the prevalent average of the relevant industry or for any other reason, he may, after allowing a six months provisional quantity, make a reference to the IOCO for final determination thereof. On receipt of report from IOCO the Collector shall then determine the final annual quantitative entitlement of inputs and grant him final approval for zero-rated purchases or imports. In case of non receipt of report from IOCO within four months of the application made by the manufacturer, the Collector shall provisionally allow another six months quantity to the applicant manufacturer;
- (iii) in case of goods to be imported by the registered manufacturer the authorized officer of Sales Tax Collectorate shall furnish all relevant information online to Customs Computerized System (PACCS) as per Annexure-C appended to this notification against a specific user ID and password obtained under section 155D of the Customs Act, 1969;
- (iv) where a registered person supplies goods to registered manufacturer of goods mentioned in Table given below, he shall issue a zero rated invoice under section 23 of the Sales Tax Act, 1990 mentioning the name, sales tax registration and approval number of the buyer;
- (v) a registered person will be entitled to claim refund of input tax paid on utilities and such inputs (goods and services) which are purchased by him after payment of sales tax under section 10 of the Sales Tax Act, 1990 read with the Sales Tax Refund Rules;

- (vi) the manufacturer shall maintain records of the inputs and the goods manufactured from imported or local inputs;
- (vii) the input goods allowed under clause (ii) above shall be consumed within twelve months of purchase or import thereof and the consumption period shall start from the date of purchase or import of input goods. However, the input goods shall be purchased or imported before the expiry date of the approval. The manufacturer shall communicate to the concerned Collector of Sales Tax in writing about the consumption of imported or locally procured items within ninety days of consumption of goods. The indemnity bond shall be released on receipt of written confirmation regarding consumption of goods by the manufacturer. In case of non-consumption within the period mentioned in the approval from the date of import or local purchase, the registered manufacturer shall pay the sales tax involved or obtain extension from the Collector of Sales Tax and Federal Excise under intimation to Collector of Customs;
- (viii) the Collector of Sales Tax and Federal Excise whenever deemed necessary but not more than once during a calendar year may get the records of the registered manufacturer audited. In case it is found that the inputs have not been properly accounted for or consumed for the manufacture and supply of goods as prescribed, the Collector may initiate proceedings for the recovery of leviable sales tax on unaccounted inputs besides penal action under the relevant provisions of the Sales Tax Act, 1990; and
- (ix) Under circumstances of exceptional nature and for reasons to be recorded in writing, the Board may relax any of the conditions, if it is satisfied that such condition is detrimental to the *bonafide* purposes of manufacturer's business, subject to such surety or it may deem guarantee as appropriate to secure to ensure proper accountal and utilization of the imported goods.

**TABLE**

<b>S.No.</b>	<b>Description of goods to be manufactured</b>	<b>Heading or sub-heading numbers</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Colors in sets	3213.1000
2.	Writing, drawing and marking inks	3215.9010 and 3215.9090
3.	Erasers	4016.9210 and 401 6.9290
4.	Exercise books	4820.2000
5.	Pencils sharpener	8214.1000
6.	Geometry box	9017.2000
7.	Pens, ball pens, markers and porous tipped pens	96.08
8.	Pencils including color pencils	96.09
9.	Milk including flavored milk	04.01 <sup>1</sup> [ <sup>22.02</sup> and 0402.9900
10.	Yogurt	0403.1000
11.	Cheese	0406.1010
12.	Butter	0405.1000
13.	Cream	04.01 and 04.02
14.	Desi ghee	0405.9000
15.	Whey	04.04
16.	Milk and cream, concentrated and added sugar or other sweetening matter	0402.1000 <sup>2</sup> [ <sup>0402.2100, 0402.2900, 0402.9100 and 0402.9900</sup> ]

17.	Preparations for infant use put up for retail sale	1901.1000
18.	Fat filled milk	1901.9090
<sup>3</sup> [19	<i>Acetic acid</i>	<i>29150.2100</i> "]

**Annex-A**  
[See condition (i)]

S. No.	Description of goods to be manufactured	H.S. Code	Description of raw materials components and sub-components	H.S. Code	Input/output ratio	Quantity
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Authorized Signature: \_\_\_\_\_

**Annex-B**  
[See condition (ii)]

Approval No: \_\_\_\_\_  
Name of the Manufacturer: \_\_\_\_\_  
Sales Tax Registration No: \_\_\_\_\_  
N.T.N No: \_\_\_\_\_  
Expiry date of approval: \_\_\_\_\_

S. No.	Description of goods to be manufactured	H.S. Code	Description of raw materials components and sub-components	H.S. Code	Quantity allowed
(1)	(2)	(3)	(4)	(5)	(6)

Authorized Signature of Sales Tax Officer: \_\_\_\_\_

**Annex-C**  
[See condition (iii)]

Name of the Manufacturer: \_\_\_\_\_  
Sales Tax Registration No: \_\_\_\_\_  
N.T.N No: \_\_\_\_\_  
Address: \_\_\_\_\_

S. No.	Description of input goods to be imported	H.S. Code	Quantity	Value
(1)	(2)	(3)	(4)	(5)

Authorized Signature: \_\_\_\_\_

**[1/1-STB/2006 (Pt-II)]**

LEGAL REFERENCE

1. *serial number 9, in column (1), in column (3), after the figure "04.01", the comma and figures were inserted vide SRO 1089(I)/2007 dated 6<sup>th</sup> November, 2007*
2. *Against serial number 16, in column (1), in column (3), after the figure "0402.1000", the commas, figures, and word were inserted vide SRO 1089(I)/2007 dated 6<sup>th</sup> November, 2007*
3. *In the Table, after serial number 18 in column (1) and the entries relating thereto in columns (2) and (3), the new serial number and the entries relating thereto were added, vide SRO 540(I)/2008 dated 11th June, 2008*

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