

Zero-rating facility for five sectors

# SRO 231 held in abeyance: FBR

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ISLAMABAD: The Federal Board of Revenue (FBR) has temporarily restored sales tax zero-rating facility on the local supply of five leading export sectors - textile, leather, surgical, carpets and sports goods - by suspending implementation of the SRO.231(I)/2011.

It has been reliably learnt on Tuesday that the FBR has issued instructions to the field formations that the SRO.231 (I)/2011 would be held in  
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abeyance till further orders. This means that the status of zero-rating facility has been restored as before March 15, 2011 for five zero-rated sectors. The SRO.231 (I)/2011 would be held in abeyance till issuance of the amended notification for the concerned sectors.

The domestic supplies of these five zero-rated sectors were liable to sales tax at the standard rate of 17 percent after issuance of SRO.231 (I)/2011. Under the new development, the local supplies of these five zero-rated sectors would now not be subjected to 17 percent sales tax for sometime.

Through SRO.231(I)/2011, the

FBR had restricted the sales tax zero-rating facility of five export sectors including textile, leather, surgical, sports and carpets to only registered manufacturers-cum-exporters or exporters for export purpose by amending SRO509(I)/2007. Now, zero-rated sectors would not be temporarily required to pay 17 percent sales tax for sometime.

The SRO.231(I)/2011 was issued along with the Income Tax (Amendment) Ordinance, 2011, Federal Excise (Amendment) Ordinance, 2011 and Sales Tax (Amendment) Ordinance, 2011 as a part of government scheme to gradually remove distortions in the sales tax regime.

Sources said that the implementation of the SRO.231 (I)/2011 has been temporarily suspended till issuance of the new notification. On March 15, 2011, the SRO.231(I)/2011 had amended the SRO.509(I)/2007 which deals with the goods on which sales tax shall be charged at the rate of zero per cent on the supply and import thereof. The FBR has taken this decision keeping in view the practical difficulties of zero-rated sectors in clearance of their imported consignments at ports.

When contacted, an official of private sector confirmed that the suspension of the SRO.231 (I)/2011 would clear the stuck up

consignments at ports. The new SRO would be applicable from April 1, 2011 and till issuance of the new SRO, the implementation of the SRO.231 (I)/2011 has been suspended. The FBR has rightly taken the decision to temporarily suspend the notification so that all the un-cleared consignments at ports should be cleared without further delay.

It is important to mention here that the Council of All Pakistan Textile Association (Capta) has played a key role in negotiations with the FBR on the zero-rating regime to facilitate the tax machinery in increasing sales tax registration, raising revenue and documentation of economy.

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