



GOVERNMENT OF PAKISTAN  
REVENUE DIVISION  
FEDERAL BOARD OF REVENUE  
\*\*\*\*

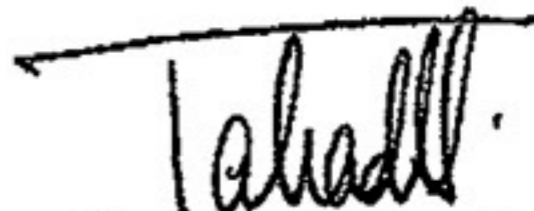
C.No.3(S)S -L&P/20 05

Islamabad the 20<sup>th</sup> January, 2012

Mian Abrar Ahmad,  
Karachi Chamber of Commerce and Industry,  
Karachi

Subject: **CLARIFICATION REGARDING APPLICABILITY OF SRO 727(I)/2011**

I am directed to refer to Karachi Chamber of Commerce and Industry's letter dated 09-01-2012 on the subject cited above and to say that the issue has been examined in the FBR. The clause iv) of SRO 727(I)/2011 dated 01-08-2011 is applicable on all subsequent supply of plant and machinery taking place after issuance of SRO 727(I)/2011 dated 01-08-2011

  
(Fahad Ali Chaudhary)  
Second Secretary (ST-L&P)





# Karachi Chamber of Commerce & Industry (KCCI)

کراچی چیمبر آف کامرس اینڈ انڈسٹری

God  
Am

Tax 02/12 - 7633  
February 7, 2012

Mr. Fahad Ali Chaudhary  
Second Secretary (ST-L&P)  
Revenue Division  
Federal Board of Revenue  
Government of Pakistan  
Islamabad.

Subject: **CLARIFICATION REGARDING APPLICABILITY OF SRO 727(I)/2011 DATE 01-08-2011**

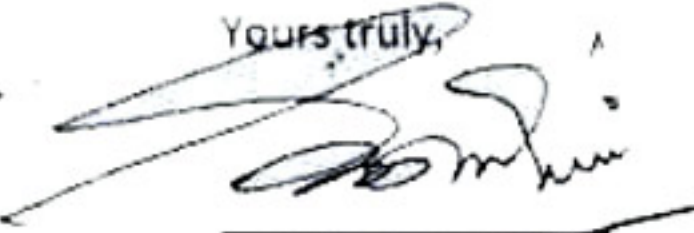
This is with reference to your letter C.No.365/S-L&P/20 05 dated: 20<sup>th</sup> January 2012 wherein you have clarified that the clause (iv) of SRO 727(I)/2011 dated: 01-08-2011 is applicable on all subsequent supply of plant and machinery taking place after issuance of SRO 727(I)/2011 dated: 01-08-2011. A perusal of clause (iv) reveals that supplies made to **un-registered** industrial regimes or commercial regimes attracts sales tax meaning thereby that it is applicable to the supplies made to un-registered persons only. However, your above said clarification gives an impression that it is applicable to the supplies made to the registered persons as well.

The above said interpretation by you is neither in line with the explicit provisions of the notification SRO 727(I)/2011 nor in line with the intent of the legislators. Prior to March 15<sup>th</sup> 2011 the import as well as domestic supply of plant and machinery was zero rated, however, the above said zero rating was withdrawn vide notification SRO 230 (I)/2011 with effect from March 15, 2011. However, after appreciating the genuine problems of the registered manufacturers and industrial concerns the import of plant and machinery as well its subsequent supply to an industrial concern by the importer has been exempted vide notification SRO 727(I)/2011. We are of the view that the above said notification also grants exemption to the domestic supply of used plant and machinery from industrial concern/manufacturer registered in sales tax to another registered industrial concern/manufacturer.

You are requested to kindly clarify/confirm our above said interpretation of the notification SRO 727(I)/2011 at your earliest convenience so that our valued members may confirm the supply of used machinery to registered manufacturer concern without adding sales tax on it.

Thanking you and looking forward for your early action in this regard.

Yours truly,

  
S.M.H. Rizvi  
Secretary General





GOVERNMENT OF PAKISTAN  
REVENUE DIVISION  
FEDERAL BOARD OF REVENUE  
....

C.No 3(5)ST-L&P/2005

Islamabad the 09<sup>th</sup> March, 2012

Mr. S.M. Rizvi,  
Secretary General,  
Karachi Chamber of Commerce & Industry,  
Karachi.

Subject: **CLARIFICATION REGARDING APPLICABILITY OF SRO 727(D)/2011**

I am directed to refer to Karachi Chamber of Commerce and Industry's letter dated 07-02-2012 on the subject cited above and to say that the FBR has already clarified your query in KCCI letter dated 04-01-2012 vide Board's letter of even number dated 20-01-2012 (copy enclosed).

2. As far as your query vide KCCI letter dated 07-02-2012 is concerned, clause (iv) of SRO 727(D)/2011 dated 01-08-2011 is quite clear that exemption under this SRO shall be available on domestic supply of used plant and machinery from industrial concern/manufacturer registered in sales tax to another registered industrial concern/manufacturer.

(Fahad Ali Chaudhary)  
Second Secretary, (ST-L&P)



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

Islamabad, the 1<sup>st</sup> August, 2011.

**NOTIFICATION**  
**(SALES TAX)**

**S.R.O. 727 (I)/2011.**- In exercise of the powers conferred by clause (a) of sub-section (2) of section 13 of the Sales Tax Act, 1990, the Federal Government is pleased to exempt sales tax on the import of plant and machinery not manufactured locally and having no compatible local substitutes subject to the following conditions, namely:-

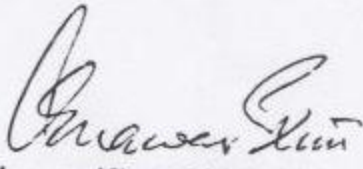
- (i) the registered manufacturers or industrial importers shall submit to the customs authorities post-dated cheques equal to the amount of sales tax payable at import stage which shall be returned back on the filing of first sales tax return after import of the machinery;
- (ii) the commercial importers shall submit to the customs authorities good-for-payment cheque or bank guarantee or pay order or pay in cash equal to the amount of sales tax payable at import stage, which shall be returned back, or as the case may be, refunded after providing evidence of next supply to the registered manufacturer or industrial users;
- (iii) local supply of plant and machinery by commercial importers to unregistered industrial regimes or commercial regimes shall be liable to tax and evidence to that effect shall be produced to the customs authorities for release of the said instrument or refund of the amount paid at import stage;
- (iv) subsequent supply of plant and machinery imported or acquired and used by registered manufacturers or registered industrial users to unregistered industrial regimes or commercial regimes whether registered or not, shall be liable to tax; and

- (v) the validity period of instruments furnished under this notification on shall not be less than one hundred and twenty days.

**Explanation.-** For the purpose of this notification, plant and machinery means such plant and machinery as is used in the manufacture or production of goods.

---

**[C.No.1(140)C(RGST)/Textile/2011]**

  
**(Khawar Khurshid Butt)**  
Additional Secretary