Government of Pakistan
(Revenue Division)
Federal Board of Revenue
[Sales Tax & Federal Excise Wing]
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C. No. 4/57-STB/97 Islamabad,the 8th July, 2008.

SALES TAX GENERAL ORDER NO. 32 OF 2008

Subject: **ISSUES RELATING TO SOLVENT EXTRACTION UNITS**

Whereas, a Committee headed by the Collector, Sales Tax and Federal Excise, RTO, Islamabad was constituted vide Board's Circular dated 20.03.2008 to examine the issues relating to show cause notices issued and draft contravention reports prepared against various solvent extraction units (hereinafter referred to as the "units") located in the jurisdiction of Regional Tax Office, Multan on the basis of audit of sales tax records for the tax period 2003-04 and July, 2004 to January 27th 2006. The report of the Committee has been examined by the Board. In order to resolve the long outstanding issues of the units, the Federal Board of Revenue is pleased to direct in terms of section 55 of the Sales Tax Act, 1990 as under:

(a) The total sales tax liability of a unit for the period 01.07.2004 to 27.01.2006 shall be equal to 0.75% of the C&F value of imports of oilseeds made during this period or as declared by the unit, whichever is higher, after deducting the output tax already paid on supplies. No credit or adjustment on account of input tax paid at import stage or that paid against utility bills/chemicals consumed during the process of extraction shall be allowed against the aforesaid total sales tax liability. The input tax credit against zero-rated supplies/exports (if any) shall, however, be allowed/adjusted from the aforesaid total liability.

(b) Sales tax refunds, if obtained by any unit on account of excess input tax paid during the aforesaid period shall be added to the aforesaid total tax liability, which shall be recoverable from that unit. However, no default surcharge or penalty will be recoverable on this account. For illustration purposes, the tax liability in respect of units will be calculated as under:

(i) Tax liability in respect of units, who have not obtained any refunds, on account of excess paid input tax, during the period from 01.07.2004 to 27.01.2006:

(A) Tax payable as per the formula (i.e. 0.75% of C&F value or as declared by the unit whichever is higher) ---- Rs. 1000

(B) Output tax (if any), already paid ----- Rs. 100

(C) Adjustment/credit on account of zero-rated supplies of soyabean meal (if claimed) ---- Rs. 200

Net tax recoverable ------ (A) – (B + C) = Rs. 700/-

(ii) Tax liability in respect of units, who have obtained any refunds, on account of excess paid input tax, during the period from 01.07.2004 to 27.01.2006:

(A) Tax payable as per the formula (i.e. 0.75% of C&F value or higher percentage declared by the unit) ---- Rs. 1000

(B) Output tax (if any), already paid ----- Rs. 100

(C) Adjustment/credit on account of zero-rated supplies of soyabean meal (if claimed) ---- Rs. 200

(D) Refund obtained on account of excess input tax --- Rs. 200/-

Net tax recoverable ------ (A+D) – (B+C) = Rs. 900/-

(2) The valuation of oil extracted from imported oilseeds shall be determined as follows:

(a) In case of supplies made to registered persons, the minimum value of supply shall be the value declared by the units;

(b) In case of supplies made to unregistered persons the value of supply shall be Rs. 40.30 per kg or the value declared by the solvent extraction unit, whichever is higher; and

(c) All the supplies, excluding those, accounted for and shown as the supplies made to registered persons, in the sales tax records, shall be deemed to be supplies made to unregistered persons, and sales tax liability in respect thereof shall be calculated as per the above valuation criterion.

(3) The percentage recovery of oil shall be taken to be not less than 38.5% (by weight) of the imported oilseeds of all origins or as declared by the unit, whichever is higher;

(4) For the determination of tax liability of units for the period 2003-04, the formula given in para-1 of this General Order

shall be applied. However, the adjustment of input tax shall not be less than 15.88% of the C&F value of imports of oilseeds made during this period and the refund on account of unadjusted input tax (other than refund of 10.5% admissible under SRO 335(I)/2004 dated 24.05.2004) shall not exceed 4.12% of the C&F value of imports of oilseeds made during this period;

(5) Refunds (if any) accruing on the basis of any of the above provisions of this General Order shall be inadmissible;

(6) The Collectorates shall resolve the disputes with the units in the light of provisions of this General Order and present the same to the adjudicating authority during the adjudication of show cause notices issued to the units;

(7) For the calculation of tax liability under the provisions of this General Order, a Committee shall be constituted to calculate the liability of each unit. The Committee shall be headed by an Additional Collector of Sales Tax having one member from the Collectorate and one nominee of All Pakistan Solvent Extractors' Association (APSEA);

(8) The unit which fails to discharge his tax liability as determined under this General Order shall be subjected to detailed investigative audit, and in that case, their tax liability shall be determined on the basis of parameters described in paras-2, 3 & 4 above; and

(9) The units who deposit sales tax under this General Order shall be deemed to have discharged their full and final sales tax liability for the tax periods 01.07.2003 to 27.01.2006.

(Asif Abbas)
Second Secretary (ST-Budget)