

GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
FEDERAL BOARD OF REVENUE

C.No.3(10)ST-L&P/2007

Islamabad, the 6th October, 2009

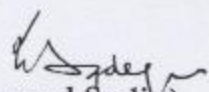
All Director Generals RTOs / LTUs

Subject : SCOPE OF WITHHOLDING PROVISIONS REGARDING PURCHASES MADE BY TAX PAYERS OF LTUs FROM UN-REGISTERED SUPPLIERS UNDER SRO. 660(I)/2007 DATED 30.06.2007

Under SRO 660(I)/2007 dated 30.06.2007 Federal and Provincial departments, autonomous bodies and public sector organizations buying taxable goods from unregistered suppliers are required to withhold and deposit 16% sales tax payable on such goods. To secure more government revenue this provision was extended to taxpayers registered in Large Taxpayers' Units in the budget 2009-10, through SRO.603(I)/2009 dated 25.06.2009, in such manner that taxpayers of LTUs were mandated to deduct and withhold tax on account of purchase of goods from un-registered person.

2. The Taxpayers in Large Taxpayers' Units agitated this extension on the plea that this measure had put them at disadvantageous position vis-a-vis their competitors registered in various RTOs as the latter were not required to withhold 16% sales tax on their purchases. The point agitated by the taxpayers of LTUs was examined and found valid. To give equitable level playing to the registered persons of LTU vis-a-vis those of RTOs the Board gave sympathetic consideration to the view point of the LTUs. Accordingly Sales Tax Special Procedure (Withholding) Rules, 2007 (SRO.660(I)/2007 dated 30th June 2007) have been amended through SRO. 846(I)/2009 dated 1st October 2009. Through the aforesaid change the registered persons of LTU are no more required to deduct and withhold sales tax on purchase of goods from un- registered persons. However, government departments having Free Tax Number (FTN) shall continue to deduct and withhold sales tax at applicable rates on purchase of goods from un-registered persons.

3. The Director Generals are requested to give reasonable publicity to the aforesaid change and to ensure that adequate guidance is made available to the taxpayers in this respect so as they are able to discharge their tax liability in accordance with law.


(Muhammad Sadique)
Secretary (Law & Procedure)