GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
FEDERAL BOARD OF REVENUE
(INDIRECT TAX POLICY WING)
****

C.No.3(8)ST-L&P/2009 Islamabad the 10th May, 2010

SALES TAX GENERAL ORDER NO. 18/2010

SUBJECT: **INPUT TAX ADJUSTMENT TO PAKISTANI REGISTERED PERSONS AGAINST THEIR PURCHASES FROM AJK REGISTERED PERSONS : PROCEDURE THEREOF.**

The current FBR integrated database consisting of e-filed Sales Tax / Federal Excise returns, e-filed Income Tax returns and Custom clearances made through PACCS / one Customs allows input adjustments to the sales tax registered persons in Pakistan only. Clause (e) of sub-section (14) of section 2 of the Sales Tax Act, 1990, however, entitles adjustment of input tax levied under Sales Tax Act, 1990, as adapted in State of Azad Jammu and Kashmir (AJK), on supplies of goods received by a registered person in Pakistan from their suppliers in AJK (AJK units). As the return data of AJK units does not appear in FBR integrated database, the supplies from them appear from non-registered persons and thus not entitled to input adjustment by Pakistani registered persons.

2. In their representation dated 22nd January 2010 M/s Sheraz Industries (Pvt) Limited, Rawalpindi, a unit of AJK, has agitated the matter of not allowing input adjustment to their buyers registered in Pakistan, who do not want to purchase from them as they cannot claim input adjustment.

3. In order to mitigate their genuine problem the Board is pleased to lay down the following procedure for input adjustment in such cases:

(i) All the units registered in AJK who are selling goods to registered persons in Pakistan will give undertaking to the respective RTOs/LTUs in Pakistan that they will supply all data/ record needed by Pakistani tax authorities to ascertain correctness of their sales to Pakistani registered person.

(ii) After receipt of requisite undertakings the concerned RTO/LTU in the Pakistan may manually allow input adjustment to Pakistani registered persons after fulfilling all the conditions of section 7, 8 and 73 of the Sales Tax Act, 1990, and the rules notified thereunder.

(Azood-ul-Mehdi)
Second Secretary (Law & Procedure)