GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE
(INLAND REVENUE WING)

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C. No. 3(11)ST-L&P/2013 - 40880

Islamabad, the 18th March, 2014.

SALES TAX GENERAL ORDER NO. 27 OF 2014

SUBJECT: **LEVY OF 2% EXTRA TAX ON THE SUPPLY OF AUTO PARTS & ACCESSORIES, TYRES & TUBES AND STORAGE BATTERIES BY MANUFACTURERS OF THESE GOODS DIRECTLY TO OEMs/AUTOMOBILES' MANUFACTURERS – CLARIFICATION REGARDING**

Rule 58S and 58T of the Sales Tax Special Procedure Rules, 2007 (as amended vide Notification SRO No. 896(I)/2013, dated 04.10.2013) provide for charge of extra tax @ 2% on goods specified as contained in Table thereto. The rationale behind imposition of 2% extra tax on the supply of the specified goods was to ensure collection of sales tax upfront in respect of value addition made by retailers at the retail stage.

02. This levy of extra tax has resulted in enhanced burden of tax for OEMs/automobiles manufacturers in view of provisions of law, particularly section 8(1)(c) of the Sales Tax Act, 1990 which denies input tax adjustment of extra tax and as such burden of unadjustable extra tax is going to add to the manufacturing cost of OEMs/automobiles manufacturers leading to possible escalation in the prices of automobiles.

03. Sales of auto parts & accessories, tyres & tubes and storage batteries as listed at S. No. 4, 6 & 7 of Table in Rule-58S by manufacturers of these goods to OEMs/automobiles manufacturers cannot be treated as retail sales. Therefore, in exercise of powers conferred under section 55 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to clarify that extra tax @ 2% under the provisions of Rule-58T of the Sales Tax Special Procedure Rules, 2007 shall not apply on the supply of goods listed at S. No. 4, 6 & 7 of Table in Rule-58S of the Rules ibid.

04. This dispensation shall only be available to the supplies of auto parts & accessories, tyres & tubes and storage batteries made by manufacturers of these goods directly to

OEMs/automobiles manufacturers and for manufacturing only and subject to submission of quarterly statement by OEMs/automobiles manufacturers to their respective LTUs/RTOs in respect of purchases of above goods on the following format:

S. No.	Description of Goods	Name & STRN of the Supplier	Quantity procured for manufacturing	Value inclusive of Sales Tax	Quantity procured for non-manufacturing	Value inclusive of Sales Tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)

05. This clarification shall take effect on and from 4th of October, 2013 i.e. the date of issuance of notification SRO No. 896(I)/2013, dated 04.10.2013.

(Shaukat Hayat Cheema)
Secretary (ST&FE-Law,
Procedure and Exemption)

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