

# THE SALES TAX SPECIAL PROCEDURE (WITH HOLDING) RULES, 2007

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Updated upto 05.08.2014

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# THE SALES TAX SPECIAL PROCEDURE (WITHHOLDING) RULES, 2007

<sup>1</sup>**Notification No. S.R.O. 660(I)/2007, dated 30th June, 2007.**— In exercise of the powers conferred by sub-section (6) and sub-section (7) of section 3 <sup>2</sup>[, sub-section (4) of section 7 and clause (b) of sub-section (1) of section 8] of the Sales Tax Act, 1990, read with section 71 thereof, the Federal Government is pleased to make the following rules, namely:--

**1. Short title, application and commencement.--** (1) These rules may be called the Sales Tax Special Procedure (Withholding) Rules, 2007.

<sup>3</sup>(2) They shall apply to taxable goods and services as are supplied to following persons, hereby specified as withholding agents, for the purpose of deduction and deposit of sales tax, namely:--

- (a) federal and provincial government departments;
- (b) autonomous bodies;
- (c) public sector organizations;
- (d) <sup>4</sup>[companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001), which is registered for sales tax, federal excise duty or income tax;]
- (e) recipients of service of advertisement, who are registered for sales tax <sup>5</sup>[; and]
- (f) <sup>6</sup>persons registered as exporters.]

*Explanation.--*"withholding agent" includes the accounting office which is responsible for making payment against the purchases made by a government department.]

(3) They shall come into force on the 1st day of July, 2007.

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1. Reported as PTCL 2008 St. 24.

2. Substituted for the words, figures and brackets "and sub-section (4) of section 7]" by Notification No. S.R.O. 897(I)/2013, dated 4<sup>th</sup> October, 2013.

*a* The words, brackets and figures inserted by Notification No. S.R.O. 603(I)/2009, dated 25th June, 2009 reported as PTCL 2009 St. 1417 (ii) and amended by Notification No. S.R.O. 719(I)/2009, dated 11<sup>th</sup> August, 2009, reported as PTCL 2010 St. 16, this amendment shall be deemed to have taken effect on the 1<sup>st</sup> day of July, 2009, and shall be deemed always to have had effect accordingly.

3. Sub-rule (2) substituted by Notification No. S.R.O. 603(I)/2009, dated 25th June, 2009, reported as PTCL 2009 St. 1417 (ii) and amended by Notification No. S.R.O. 719(I)/2009, dated 11<sup>th</sup> August, 2009, reported as PTCL 2010 St. 16, this amendment shall be deemed to have taken effect on the 1<sup>st</sup> day of July 2009 and shall be deemed always to have had effect accordingly. Before substitution earlier it was amended by Notification No. S.R.O. 77(I)/2008, dated 23rd January, 2008, reported as PTCL 2008 St. 1111.

4. Clause (d) substituted by Notification No. S.R.O. 98(I)/2013, dated 14<sup>th</sup> February, 2013.

5. Substituted for the full stop by Notification No. S.R.O. 98(I)/2013, dated 14<sup>th</sup> February, 2013.

6. Clause (f) added by Notification No. S.R.O. 98(I)/2013, dated 14<sup>th</sup> February, 2013.

*Sales Tax Special Procedure (Withholding) Rules, 2007*

**2. Responsibility of a withholding agent.--** (1) The withholding agent, intending to make purchases of taxable goods, shall indicate in an advertisement or notice for this purpose that the sales tax to the extent as provided in these rules shall be deducted from the payment to be made to the supplier.

<sup>7</sup>[(2) A withholding agent, other than <sup>8</sup>[\*\*\*] a recipient of advertisement services, shall deduct an amount equal to one fifth of the total sales tax shown in the sales tax invoice issued by a registered person and make payment of the balance amount to him as per illustration given below,--

**ILLUSTRATION:**

Value of taxable supplies excluding sales tax	Rs. 1000
Sales tax chargeable @ 16%	Rs. 160
Sales tax to be deducted by the withholding agent	Rs. 32 ( <i>i.e.</i> Rs. 160 ÷ 5)
Sales tax payable by the withholding agent to the supplier	Rs. 128 ( <i>i.e.</i> Rs. 160- Rs.32)
Balance amount payable to the supplier by the withholding agent.	Rs. 1128 ( <i>i.e.</i> Rs. 1000 + Rs.128)

<sup>9</sup>[(2A) A withholding agent shall deduct an amount equal to one-tenth of the total sales tax shown on the sales tax invoice issued by persons registered as a wholesaler, dealer (including petroleum dealers) or distributor, and make the payment of the balance amount to him.]

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7. Sub-rule (2) and (3) substituted by Notification No. S. R. O. 603(1)/2009, dated 25th June, 2009, and amended by Notification No. S.R.O 719(I)/2009 dated 11<sup>th</sup> August 2009, this amendment shall be deemed to have taken effect on the 1st July 2009 and shall be deemed always to have had effect accordingly. Before substitution earlier sub-section (3) amended by Notification No. S.R.O. 77(1)/2008, dated 23rd January, 2008, reported as PTCL 2008 St. 1111.

8. The words "a person in jurisdiction of Large Taxpayers Unit and" omitted by Notification No. S.R.O. 98(I)/2013, dated 14<sup>th</sup> February, 2013.

9. Sub-rule (2A) inserted by Notification No. S.R.O. 897(I)/2013, dated 4<sup>th</sup> October, 2013.

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*Sales Tax Special Procedure (Withholding) Rules, 2007*

<sup>10</sup>[(3) (i) A withholding agent, having Free Tax Number (FTN) and falling under clauses (a), (b) or (c) of sub-rule (2) of rule 1 shall, on purchase of taxable goods from persons liable to be registered but not actually registered under Chapter I of the Sales Tax Rules, 2006, deduct sales tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier and, unless otherwise specified in the contract between the buyer and the supplier, the amount of sales tax for the purpose of this rule shall be worked out on the basis of gross value of taxable supply.

(ii) A withholding agent, other than specified in clause (i), shall on purchase of taxable goods from persons liable to be registered but not actually registered under Chapter I of the Sales Tax Rules, 2006, deduct sales tax at the rate of one percent of the value of taxable supplies made to him from the payment due to the supplier and the amount of sales tax for the purpose of this rule shall be worked out on the basis of gross value of taxable supply:

Provided that the withholding agent shall not be entitled to reclaim or deduct the amount of tax withheld from such persons as input tax.]

(3A) A person mentioned in clause (e) of sub-rule (2) of rule 1, who receives advertisement services, provided or rendered by a person based in Pakistan or abroad, shall deduct the amount of sales tax as mentioned in the invoice issued by the service provider from the payment due to the service provider. In case the sales tax amount is not indicated on the invoice, the recipient shall deduct sales tax at the applicable rate of the value of taxable services from the payment due to the service provider.]

<sup>11</sup>[(3B) \*\*\*]

<sup>12</sup>[(4) Where the purchases are made by a government department, the following procedure shall be observed, namely:--

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10. Sub-rule (3) substituted by Notification No. S.R.O. 897(I)/2013, dated 4<sup>th</sup> October, 2013. Earlier sub-rule (3) was substituted by Notification No. S.R.O. 846(I)/2009, dated 1<sup>st</sup> October, 2009, reported as PTCL 2010 St. 73(ii) & it was amended by Notification No. S.R.O. 505(I)/2013, dated 12<sup>th</sup> June, 2013.
  11. Sub-rule (3B) omitted by Notification No. S.R.O. 98(I)/2013, dated 14<sup>th</sup> February, 2013. Before omission earlier sub-rule (3B) was added by Notification No. S.R.O. 704(I)/2009, dated 30<sup>th</sup> July, 2009, reported as PTCL 2010 St. 1.
  12. Substituted for sub-rules (4), (5), (6) and (7) by Notification No. S.R.O. 77(I)/2008, dated 23<sup>rd</sup> January, 2008, reported as PTCL 2008 St. 1111.

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- (a) the Drawing and Disbursing Officer (DDO) preparing the bill for the accounting office shall indicate the amount of sales tax withheld as prescribed above. The accounting office shall adopt the procedure as indicated below:
- (i) in case of purchases made by a department under the Federal Government, the office of the Accountant General of Pakistan Revenue shall account for the amount deducted at source during a month under the Head of Account "B02341-Sales Tax" and send an intimation to the <sup>13</sup>[Chief Commissioner, Regional Tax Office, Islamabad], by the 15th of the following month;
  - (ii) in case of purchases by departments under provincial or district governments, the Accountant General of the province or the District Accounts Officer, as the case may be, shall credit the amount deducted at source during a month to the head of account "GI2777-Sales Tax Deductions at Source under Sales Tax Special Procedure (Withholding) Rules, 2007". Cheque for the amount will be prepared by the Accountant General or the District Accounts Officer, as the case may be, in the name of <sup>14</sup>[Collector] having jurisdiction by debit to the aforesaid head of account and sent to the <sup>14</sup>[Collector] by the 15th of the following month; and
  - (iii) where the purchases are made by the departments falling in purview of Military Accountant General, the MAG shall account for the amount deducted at source during a month under the Head of Account "B02341-Sales Tax" and send intimation to the <sup>15</sup>[Chief Commissioner, Regional Tax Office, Rawalpindi], by the 15th of the following month. The amount so deducted at source shall be reported by MAG office to AGPR through civil exchange accounts; and

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13. Substituted for the expression "Member (Sales Tax), Federal Board of Revenue" by Notification No. S.R.O. 98(I)/2013, dated 14<sup>th</sup> February, 2013.

14. Any reference to "Collector" shall be construed as reference to "Commissioner Inland Revenue" by virtue of section 72A of the Sales Tax Act, 1990. Powers and functions of "Collector of Sales Tax" shall be exercised by "Commissioner Inland Revenue" vide F.B.R.'s Order C. No. 1(6) IR-Judicial/2009, dated 11<sup>th</sup> November, 2009, w.e.f. 28<sup>th</sup> October, 2009.

15. Substituted for the expression "Member (Sales Tax), Federal Board of Revenue" by Notification No. S.R.O. 98(I)/2013, dated 14<sup>th</sup> February, 2013.

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(b) the concerned Drawing and Disbursement Officer shall prepare the return in the form as in the Annexure to these rules for each month and forward the same to the Collector having jurisdiction by the 15th of the following month.

(5) In case of purchases, not covered by sub-rule (4) above, the sales tax deducted at source shall be deposited by the withholding agent in the designated branch of National Bank of Pakistan under <sup>16</sup>[under relevant head of account] on sales tax return-cum-payment challan in the form set out at Annexure to these rules, by 15th of the month following the month during which payment has been made to the supplier. The return-cum-payment challan shall be prepared and deposited with the bank in triplicate and the bank shall send the original to the <sup>17</sup>[Collectorate of Sales Tax] having jurisdiction, return the duplicate to the depositor and retain the triplicate for its own record:

Provided that a single return-cum-challan can be filed in respect of all purchases for which the payment has been made in a month.

<sup>18</sup>[(6) In case the withholding agent is also registered under the Sales Tax Act, 1990, or the Federal Excise Act, 2005, he shall file the return and deposit the withheld amount of sales tax in the manner as provided under Chapter II of the Sales Tax Rules, 2006, along with other tax liability and such person shall not be required to file the return in the term as set out in the Annexure to these rules:

Provided that in case the withholding agent is not registered for sales tax or federal excise duty but holds a national tax number assigned under the Income Tax Ordinance, 2001 (XLIX of 2001), he shall file the return, as set out in the Annexure to these rules, electronically and deposit the amount deducted at source in the manner as provided for persons filing returns electronically under rule 18 of the Sales Tax Rules, 2006:

Provided further that any other withholding agent may also opt to file the prescribed return electronically and deposit the deducted amount in the manner as provided in this sub-rule.]

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16. Substituted for the words and figure "Head of Account "B02341-Sales Tax" " by Notification No. S.R.O. 603(I)/2009, dated 25th June, 2009, reported as PTCL 2009 St. 1417(ii) and amended by Notification No. S.R.O. 719(I)/2009, dated 11th August, 2009, reported as PTCL 2010 St. 16, this amendment shall be deemed to have taken effect on the 1<sup>st</sup> day of July, 2009, and shall be deemed always to have had effect accordingly.

~~17. Now Regional Tax Office (RTO).~~

18. Sub-rule (6) substituted by Notification No. S.R.O. 603(I)/2009, dated 25th June, 2009, reported as PTCL 2009 St. 1417(ii) and amended by Notification No. S.R.O. 719(I)/2009, dated 11th August, 2009, reported as PTCL 2010 St. 16, this amendment shall be deemed to have taken effect on the 1<sup>st</sup> day of July, 2009, and shall be deemed always to have had effect accordingly.

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(7) The withholding agent shall furnish to the <sup>19</sup>[Collector of Sales Tax] having jurisdiction all such information or data as may be requested by him for carrying out the purposes of these rules.

(8) A certificate showing deduction of sales tax shall be issued to the supplier by the withholding agent duly specifying the name and registration number of supplier, description of goods and the amount of sales tax deducted.]

**3. Responsibility of the <sup>20</sup>[registered supplier].**— (1) The <sup>21</sup>[registered supplier] shall issue sales tax invoice as stipulated in section 23 of the Sales Tax Act, 1990, in respect of every taxable supply made to a withholding agent.

(2) The <sup>22</sup>[registered supplier] shall file monthly return as prescribed in the Sales Tax Rules, 2006, and shall adjust total input tax against output tax under sections 7, 8 and 8B of the Sales Tax Act, 1990, taking due credit of the sales tax deducted by the withholding agent, in the manner as prescribed in the return under Chapter II of the Sales Tax Rules, 2006.

**4. Responsibility of the <sup>23</sup>[Collector].**— (1) The <sup>23</sup>[Collector] shall keep a list of all withholding agents falling in his jurisdiction and monitor payment of tax deducted by withholding agents falling in his jurisdiction and shall also ensure that the return prescribed under these rules is filed.

(2) The <sup>23</sup>[Collector] shall ensure that the return received from the bank is duly fed in the computerized system as referred to in clause (5AA) of section 2 of the Sales Tax Act, 1990.

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19. Any reference to “Collector” shall be construed as reference to “Commissioner Inland Revenue” by virtue of section 72A of the Sales Tax Act, 1990. Powers and functions of “Collector of Sales Tax” shall be exercised by “Commissioner Inland Revenue” vide F.B.R.’s Order C. No. 1(6) IR-Judicial/2009, dated 11<sup>th</sup> November, 2009, w.e.f. 28<sup>th</sup> October, 2009.

20. Substituted for the word “supplier” by Notification No. S.R.O. 77(I)/2008, dated 23th January, 2008, reported as PTCL 2008 St. 1111.

21. Substituted for the word “supplier” by Notification No. S.R.O. 77(I)/2008, dated 23th January, 2008, reported as PTCL 2008 St. 1111.

22. Substituted for the word “supplier” by Notification No. S.R.O. 77(I)/2008, dated 23th January, 2008, reported as PTCL 2008 St. 1111.

23. Any reference to “Collector” shall be construed as reference to “Commissioner Inland Revenue” by virtue of section 72A of the Sales Tax Act, 1990. Powers and functions of “Collector of Sales Tax” shall be exercised by “Commissioner Inland Revenue” vide F.B.R.’s Order C. No. 1(6) IR-Judicial/2009, dated 11<sup>th</sup> November, 2009, w.e.f. 28<sup>th</sup> October, 2009.

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(3) The <sup>24</sup>[Collector] shall periodically ensure that the suppliers mentioned in the return filed by the withholding agents, as fall under his jurisdiction, are filing returns under section 26 of the Sales Tax Act, 1990, read with Chapter II of the Sales Tax Rules, 2006, and are duly declaring the supplies made to withholding agents.

<sup>25</sup>[5. **Exclusions.**-The provisions of these rules shall not apply to the supplies of the following goods and services if made by a registered person, namely:--

- (i) Electrical energy;
- (ii) Natural gas;
- (iii) Petroleum products as supplied by petroleum production and exploration companies, oil refineries and oil marketing companies;
- (iv) mild steel products;
- (v) products made from sheets of iron or non-steel alloy, stainless steel or other alloy steel, such as pipes, almirahs, trunks etc.
- (vi) paper, in rolls or sheets;
- (vii) plastic products including pipes;
- (viii) vegetable ghee and cooking oil; <sup>26</sup>[\*\*\*]
- (ix) telecommunication services <sup>27</sup>[;]
- (x) <sup>28</sup>Goods specified in the Third Schedule to the Sales Tax Act, 1990; and
- (xi) Supplies made by commercial importers who paid value addition tax on such goods at the time of import as prescribed under Chapter X of the Sales Tax Special Procedure Rules, 2007.]

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24. Any reference to "Collector" shall be construed as reference to "Commissioner Inland Revenue" by virtue of section 72A of the Sales Tax Act, 1990. Powers and functions of "Collector of Sales Tax" shall be exercised by "Commissioner Inland Revenue" vide F.B.R.'s Order C. No. 1(6) IR-Judicial/2009, dated 11<sup>th</sup> November, 2009, w.e.f. 28<sup>th</sup> October, 2009.

25. Rule 5 substituted by Notification No. S.R.O. 77(I)/2008, dated 23rd January, 2008, reported as PTCL 2008 St. 1111. Before substitution earlier Rule 5 was substituted by Notification No. S.R.O. 956(I)/2007, dated 14th September, 2007, reported as PTCL 2008 St. 595.

26. The word "and" omitted by Notification No. S.R.O. 897(I)/2013, dated 4th October, 2013.

27. Substituted for the full stop by Notification No. S.R.O. 897(I)/2013, dated 4th October, 2013.

28. Clauses (x) & (xi) added by Notification No. S.R.O. 897(I)/2013, dated 4th October, 2013.



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**6. Application of other provisions.**-All the provisions of the rules and notifications made or issued under the Sales Tax Act, 1990, shall apply to supplies as aforesaid not inconsistent with the provisions of these rules.

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<sup>29</sup>[ANNEX  
See rule 2(4)]

Government of Pakistan

Monthly Sales Tax Return for Withholding agents

Withholding Agent Name & Address

Month Year

Period 

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 NTN/FTN 

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**DETAIL OF SALES TAX DEDUCTED DURING THE MONTH**  
(attach additional sheets if required)

S.NO.	Name of supplier	NTN	No. of Invoices	Total Sales Tax charged	Sales Tax deducted

**TOTAL SALES TAX WITHHELD DURING THE MONTH**

Verification	<p>I, _____, holder of CNIC No. _____                  in my capacity as _____, certify that the information                  given above is/are correct, complete and in accordance with the provisions of the                  Sales Tax Act, 1990, and Rules and Notifications issued thereunder.</p> <p>Date                  (dd/mm/yyyy) _____ Stamp _____ Signature _____</p>
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29. Annexure substituted by Notification No. S. R. O. 603(I)/2009, dated 25th June, 2009, reported as PTCL 2009 St. 1417(ii) and amended by Notification No. S.R.O. 719(I)/2009, dated 11th August, 2009, reported as PTCL 2010 St. 16, this amendment shall be deemed to have taken effect on the 1<sup>st</sup> day of July, 2009, and shall be deemed always to have had effect accordingly.

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Details of ST paid		<b>Amount</b>	For Bank Use	Amount Received (in words) _____
	B02341-Sales Tax			(in Figures) _____
	B02366-Sales Tax on services			Bank Officer's Signature _____
	B02367-FED in Sales Tax mode			Bank's Stamp Date: dd/mm/yyyy _____]
	TOTAL AMOUNT DEPOSITED			

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