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**GOVERNMENT OF PAKISTAN
FEDERAL BOARD OF REVENUE
(INLAND REVENUE POLICY WING)**

C.No.3(18)ST-L&P/13(Pt) / 50594-R

Islamabad, the 13th April, 2021.

Honourable Advisor (Customs),
Federal Tax Ombudsman Secretariat,
Head Office, 5-A, Constitution Avenue,
Islamabad.

SUBJECT: **COMPLAINT NO FTO. 418/ISB/ST/2021.**

I am directed to refer to your letter No. 0418/ISB/ST/2021 dated 08th April, 2021 on the subject.

02. Issue of chargeability of sales tax on auction of vehicles has been examined keeping in view the clarifications issued by the Board from time to time. Following are the views/ comments of the Board.

03. It is intimated that Board from time to time issued various clarifications vide letters of even number dated 02nd August, 2006, 21st November, 2013, 07th January, 2020, 13th November, 2020 (copies enclosed), wherein, it has been conveyed that sales tax is not payable on old and used vehicles auctioned / sold by the government departments / autonomous bodies, where tax was paid at the purchase/ import stage. However, the said exemption is not applicable to vehicles which were brought into the country or purchased by the auctioning department without payment of due sales tax, which is still in field and binding on government departments / autonomous bodies.


04. However, the clarification vide letter C.No. 1(16)ST-L&P/Misc/2020/215955-R dated 20th November, 2020 has been issued in the broader context which implies that on auction of goods including vehicles, sales tax is chargeable @17% in terms of section 2(33)(b) of the Sales Tax Act, 1990. In this regard, the Board is pleased to clarify that on auction of serviceable old and used vehicles, if sales tax has been paid at the time of local or import stage, no sales tax is chargeable on auction of stated vehicles. Whereas, on auction of unserviceable/ condemned old and used vehicles, the same shall attract charge of 17% sales tax from the bidders, irrespective of the fact that sales tax has already been paid on such imported or locally purchased vehicles and tax so charged be deposited into the federal government treasury accordingly.

05. In the light of above facts, it is humbly prayed that application of the complainant may kindly be disposed of as per law.


(Zahid Baig)

Second Secretary (ST&FE-Policy)

Copy to:-

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Chief (ST-Operations) with respect to letter C.No. 1(16)ST-L&P/Misc/2020/215955-R dated 20th November, 2020 for information please.