Government of Pakistan
Revenue Division
Federal Board of Revenue
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Islamabad, the 26th November, 2026.

NOTIFICATION

S.R.O. 2286 (I)/2026.— In exercise of the powers conferred by section 40 read with sections 6, 7 and 18 of the Federal Excise Act, 2005, the Federal Board of Revenue is pleased to direct that the following further amendments shall be made in the Federal Excise Rules, 2005, namely: —

In the aforesaid Rules, after Chapter IV, the following new Chapter shall be inserted, namely:—

"CHAPTER IV-A

PROCEDURE FOR ALLOCATION OF QUOTA AND ADJUSTMENT OF INPUT TAX AND DUTIES ON WHITE SPIRIT AND SOLVENT OIL

14B. Application.— (1) This Chapter shall apply to notified goods, whether locally supplied or imported, on which Federal Excise Duty, hereinafter referred to as "duty", is payable in sales tax mode under section 7 of the Act read with serial No. 5 of the Second Schedule thereto

(2) The quota of notified goods allocated under rules 14D, 14E and 14F to a manufacturer qualifying for duty free supply of notified goods under rule 14G is the basis of import or supply without charge of duty. In consequence thereof, any duty paid or payable on notified goods in supply chain which is in excess of allocated quota, shall become adjustable in sales tax mode in terms of section 7 of the Act. Where, all conditions provided in rule 14G are fulfilled, import or supply to the manufacturer shall be without charge of duty under rules 14G and 14H.Where any of the conditions provided in rule 14G are not fulfilled, the import or supply shall be chargeable to duty and the duty shall be adjustable subject to applicable provisions of the Act and the rules made thereunder

14C. Definitions.— (1) In this chapter, unless there is anything repugnant in the subject or context,—

(a) "Directorate" means the Directorate General of Input Output Coefficient Organization;

(b) "in-house consumption" means the use of notified goods by a manufacturer, at the premises, as input in manufacturing of the output goods, and does not include sale, transfer or any other disposal of notified goods;

(c) "integrated person" means a registered person who is integrated with the electronic invoicing system of the Board, as defined in clause (9b) of section 2 of the Act;

(d) "manufacturer" under this Chapter means a person registered under the Act or the Sales Tax Act, 1990 (VII of 1990) as a manufacturer, who holds a valid Form-L license and uses notified goods as an input for manufacturing, production and supply of output goods therefrom;

(e) "notified goods" means white spirit or mineral turpentine oil (PCT heading 2710.1240) and solvent oil (PCT heading 2710.1250) specified at serial No. 65 of Table-I of the First Schedule to the Act; and

(f) "quota" means the annual quantity of notified goods approved by the Board for in-house consumption by a manufacturer.

14D. Application for approval of quota. — (1) A manufacturer (hereinafter referred to as "the applicant"), having suitable in-house manufacturing or production facilities, shall apply to the Board electronically, or manually till the arrangement for electronic filing has been put into operation by the Board, for approval of annual quantity for in-house consumption of notified goods.

(2) For the purpose of sub-rule (1), the applicant shall file his application to the Commissioner Inland Revenue having jurisdiction over it. The application shall state—

(a) name, registration number, copy of Form-L license and location of manufacturing premises;

(b) the description of the output goods manufactured by it using notified goods along with HS Code and annual installed capacity;

(c) the quantity of notified goods consumed in each of the preceding two financial years, with names of suppliers;

(d) the quantity of each notified good applied for; and

(e) Input output ratio with respect to output goods.

14E. Criteria for quota Allocation. — (1) The Commissioner Inland Revenue, upon receipt of application, shall verify the veracity of the particulars submitted by the applicant under rule 14D from the sales tax returns, electronic invoices, physical visit to the manufacturing site where deemed necessary, and goods declarations or any other data available in the Board's system. The Commissioner Inland Revenue may ask the applicant to submit any other document which in the opinion of the Commissioner Inland Revenue are appropriate to examine. The application shall be decided within one month of the receipt. The Commissioner Inland Revenue may accept the declared input-output ratio submitted by the applicant, without physical verification in case the input output ratio of the applicant has already been determined by the Directorate under an earlier notification issued for such goods.

(2) The quota allocated for each notified good shall be the output basis multiplied by the input-output coefficient for the output goods, which shall include the wastage allowance, and shall not exceed the quantity applied for. The output basis shall be—

(a) for a manufacturer in production for one or more than one year, the quantity of output goods supplied by him in the immediately preceding financial year or the average quantity of output goods supplied by him in the last two immediately preceding financial years whichever is higher as shown in his sales tax returns, increased by ten percent; and

(b) for other manufacturing concern in operation below one year, upto fifty percent of the installed annual capacity, and shall in no case exceed the annual installed capacity.and shall in no case exceed the annual installed capacity.

(3) In case the Commissioner Inland Revenue is not satisfied with the declared input-output ratio had not already been determined by Directorate, he may, after provisionally allowing quantity upto fifty percent of the immediately preceding year consumption of notified goods, make a reference to the Board who shall refer the case to Directorate for final determination thereof. After receipt of report from Directorate, the Commissioner Inland Revenue shall then determine the annual quantitative entitlement of notified goods and grant final approval. In case of non-receipt of report from Directorate within two months of the application referred to by the Board, the Commissioner Inland Revenue may allow an additional provisional allowance upto twenty five percent of the immediate preceding year consumption of notified goods upon an application by the applicant; provided that the Commissioner Inland Revenue is satisfied from the records available or submitted by the applicant in this behalf that the previous provisional allowance had been properly consumed for manufacturing of output goods by the applicant. The mechanism provided under Chapter IV-A of Sales Tax Rules, 2006 shall apply for determining wastage and input output ratio in cases referred here in this sub-rule.

(4) The approved quota whether provisional or final, shall contain the information including but not limited to the following—

(a) name, registration number and Form-L license number of the applicant manufacturer;

(b) the validity period of the certificate; and

(c) allocated quantity, in liters or an equivalent measuring unit, of notified goods applied for and which will be made available to the nominated domestic suppliers and the Customs authorities.

(5) The allocated notified goods shall be imported or purchased, as the case may be, within the validity date of approved quota, and must be consumed within six months of the date of their import or supply. In case the such notified goods are not consumed within the said period, the duty on any unconsumed stock shall either be recovered by the Commissioner Inland Revenue after giving opportunity of being heard to the applicant.

(6) Where a registered manufacture, up to the date of provisional or final quota, had stock of notified goods, either purchased or available opening stock as on 1st day of July 2026, such purchased or opening stock will be taken into consideration against, and deducted from, the provisional or final quota as the case may be, issued to the applicant under these rules.

14F. Monitoring of quota.— (1) A manufacturer shall furnish to the concerned Commissioner Inland Revenue having jurisdiction, by the fifteenth day of the month next after each quarter, a quarterly statement of opening stock, receipts, consumption, output and closing stock of notified goods, and, within one month next after the end of the financial year, an annual reconciliation of the quota utilized against the determined output quantity.

(2) The Commissioner Inland Revenue shall cross match the statements with the data available in the Board electronic system and may seek further information or documents from the manufacturer for determining correctness of information in statement furnished under sub-rule (1). Any shortage beyond the wastage allowance not explained within fifteen days of notice issued in this behalf shall be treated as use otherwise than for in-house consumption.

(3) The annual reconciliation shall be considered in approving the quota for the next financial year.

(4) In cases where the manufacturer has been found, prima facie, in diversion of notified goods for the purposes other than in-house consumption or failed to file quarterly statement or file misleading statement containing inaccurate particulars or the manufacturer used fraudulent means to get quota allocation, the Commissioner Inland Revenue may proceed to suspend the issued quota in such cases for a period of not exceeding one month. Before the expiry of suspension period, the Commissioner Inland Revenue after providing opportunity of being heard, shall pass an order in writing specifying the reasons therein either reduce or may altogether withdraw the quota allotted to such manufacturers. Besides, such manufacturer in default shall be liable to other penal provisions under the Act. Any such reduction or withdrawal of quota shall be correspondingly be updated in the Board's electronic system for the information of suppliers and Customs authorities.

14G. Conditions for supply without duty.— (1) Subject to rules 14D, 14E and 14F, a supply or import of notified goods shall be without charging duty where the goods manufactured by the manufacturer, using notified goods are,-

(a) exempt under the Sales Tax Act, 1990; or

(b) taxable under the Sales Tax Act, 1990 and the supplier of the notified goods and the manufacturer are integrated persons at the time of supply and a digital invoice is issued through the Board's electronic invoicing system; and

(c) the recipient of supplies and importer both hold a valid Form-L license issued by the Department of Explosives, Government of Pakistan.

(2) Where notified goods supplied or cleared under sub-rule (1) are in contravention of conditions under the Act or these rules, duty shall become recoverable on such quantity supplied or imported in contravention which shall be recovered along with default surcharge under section 8 and penalty under section 19 of the Act besides any other penal action under the Act.

14H. Duty chargeable. — (1) Where any condition in rule 14G is not fulfilled, duty shall be charged and paid on supply or import of notified goods.

(2) The duty chargeable under sub-rule (1) shall be charged and paid by the manufacturer or producer of notified goods in case of supply and in case of import by the importer at the time of import.".

[C. No. 3(95) ST FE Policy / 2026]

(Izhar Zuberi)
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