GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE AND EXONOMIC AFFAIRS

Islamabad, the 21st July, 1998

NOTIFICATION
(SALES TAX)

S.R.O. 826 (I) /98.-In exercise of the powers conferred by section 60 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 commencements.- (1) These rules may be called the Special Rules for Delivery of Certain Goods (Without payment of Sales Tax) Rules, 1998.

(2) They shall apply to.-

(a) registered commercial exporters exporting ginned cotton, molasses, cement and sugar; and

(b) registered manufacturer-cum-exporters of any taxable goods exporting seventy per cent or mare of their manufactured products during a financial year prior to the financial year in which they avail of the benefits of these rules.

(c) Registered persons supplying goods as specified in the Fifth Schedule to the Sales Tax Act, 1990.

(3) These shall come into force at once.

2. Definitions.- (1) In these rules, unless there is anything repugnant in the subject or context.-

(a) ‘Act’ means the Sales Tax Act, 1990;

(b) ‘Agreement’ means an agreement made between the commercial exporter and manufacturer or between a registered supplier and manufacturer-cum-exporter for delivery of goods without payment of sales tax for subsequent export.

(c) ‘General Agreement’ means a general agreement made between the commercial exporter and manufacturor between a registered supplier and manufacture-cum-exporter for delivery of goods without payment of sales tax for subsequent export.

(d) ‘Special Certificate of Registration’ means the special certificate of registration issued under these rules;

(e) ‘Tax’ means the sales tax leviable under the Sales Tax Act,1990;

(2) All other words and expressions used but not defined in these rules shall have the same meaning as are assigned to them in the Act.

3. Registration of commercial exporters and manufacturer-cum-exporter.(1) Every commercial exporter and manufacturer-cum-exporter who wants delivery, under these rules, of goods without payment of tax shall apply and get a Certificate of Special Registration in the form set out in \Annex-I from the Collector of Sales Tax having jurisdiction in the area where his business premises are located or where his records are kept, as a commercial exporter or as manufacturer-cum-exporter for the purposes of these rules.

(2) He shall submit a statement indicating his value of exports and value of domestic supplies in the last three financial years, and in case he is a manufacturer-cum-exporter, he shall also give details of the goods manufactured during the last three years, requirement of raw-materials or semi-manufactured goods and their sources (i.e. whether imported or domestic).

(3) The Collector shall, in consultation with the Chairman, Export Promotion Bureau, or an officer authorized by him in this behalf, having satisfied himself with the requisite information provided in the application for registration, register the applicant as a commercial exporter or manufacture-cum-exporter for the purposes of these rules and issue him a Special Certificate of Registration under these rules. A copy of the certificate shall also be endorsed to the nearest office of the Export Promotion Bureau, Government of Pakistan.

(4) A person who is already registered with the concerned Collector of Sales Tax under section 14 or 18 of the Act, shall also be required to obtain the Special Certificate of registration under these rules.

(5) A Special Certificate of Registration issued under these rules shall valid for the financial year for which it is issued. An application for renewal of the certificate shall be submitted within one month of its expiry and the concessions shall continue provisionally till such time the Collector approves or dis-allows the registration.

4. Procedure to be followed in case of commercial exporters.-(1) A commercial exporter desirous of operating under these rules shall apply to a registered manufacturer of the goods mentioned in clause (a) of sub-rule (2) of rule 1, for delivery of goods without payment of tax subject to such condition s, limitations and restrictions as may be agreed upon between the commercial exporter and manufacturer, subject to the condition that the amount of tax, in case of export not taking place within the specified time, shall be payable by the manufacturer along with penalties and additional tax under sections 33 and 34 of the Act and stipulation to this effect shall be made in the Agreement between the manufacturer and exporter. This shall be in addition to any action that can be taken against the commercial exporter under the relevant provisions of the Act.

(2) Commercial exporter and manufacturer may enter into a General Agreement with

such surety, security, bank guarantee or insurance guarantee in a sum equal at least to the amount of tax chargeable on all such goods under export, for the removal of such goods and their export within a maximum period of four months from the date of such removal.

(3) In case the commercial exporter is unable to export the taxable goods due to reasons beyond his control, he may supply the goods within Pakistan before the expiry of the period allowed for export under sub-rule (2) on payment of sales tax thereon at the rate applicable on the date on which the goods were removed from the premises of the registered person along with additional tax livable under section 34 for not paying the tax in due time and manner as specified in section 6 of the said Act.

(4) The commercial exporter shall inform in writing to the Collector of Sales Tax having jurisdiction regarding supply of goods in the local market within twenty four hours of such supply and also intimate him that he shall pay the tax in his return falling next which is due.

(5) If a commercial exporter does not export the goods so removed within the time allowed, or in case of domestic supply thereof. Does not intimate the fact to the Collector within the time allowed, his Certificate of Special Registration shall be liable to suspension or cancellation in the manner specified in rule 7.

(6) A commercial exporter operating under these rules shall not be allowed to zero-rate his exports under section 4 of the Act.

5. Procedure to be followed in case of manufacturer-cum-exporter:-

(1) Manufacturer-cum-exporters operating under “Manufacturing in Bond Rules, 1997” issued under notification SRO No. 1060(|I) / 97. Dated the 28th October, 1997 shall also be entitled to operate under these rules provided they comply with the conditions laid down in clause (b) of sub-rule (2) of rule 1, of these rules.

(2) A manufacturer-com-exporter shall apply to the registered person from whom he wants to obtain raw-materials or semi-manufactured goods, for further processing and manufacture, without payment of tax, subject to such conditions, limitations and restrictions as may be agreed upon between the supplier and the buyer, subject to the condition that the amount of tax, in case of export not taking place within the time specified, shall be payable by the registered supplier along with penalties and additional tax under sections 33 and 34 of the Act and a stipulation to this effect shall be made in the Agreement between the registered supplier and the manufacturer-cum-exporter. This shall be in addition to any action that can be taken against the manufacturer =cum-exporter under the relevant provisions of the Act.

(3) Registered supplier and manufacturer-cum-exporter may enter into General Agreement, with such surety, security, bank guarantee or insurance guarantee in a sum equal at least to the amount of tax chargeable on such supplies, for the removal of such goods, their subsequent processing and manufacture and eventual export within a period of six moths from the date of such removal extendable by another six months by the Collector of Sales Tax.

(4) Incase supplies of manufactured goods are made in the domestic market by the manufacturer-cum-exporter, he shall pay the tax (output tax) thereon after deducting input tax, if any, paid on raw-materials used in the manufacture of goods supplied in the local market, from his tax liability.

(5) A complete record of raw-materials or semi-manufactured goods used for processing or manufacture of goods supplied in the local market shall be kept ready for audit by the sales tax department, whenever so required.

(6) If the manufacturer-cum-exporter does not export the goods within the time allowed or such other extended time as allowed by the Collector of Sales Tax, his Certificate of Special Registration shall be liable to suspension or cancellation in the

manner specified in rule 7.

(7) A manufacturer-cum-exporter operating under these rules shall not be allowed to zero-rate his exports under section4 of the Act to the extent of goods on which he avails the facility under these rules.

(8) Manufacturer-cum-exporter operating under these rules shall also be entitled to obtain delivery of imported raw-materials and semi-manufactured goods of letter of credit for import thereof was opened in his name and these have been imported for export of finished goods under these rules.

6. Procedure in case of supplies of goods specified in the Fifth schedule to the Act. Provisions of rule 5 of the rules shall apply mutatis mutandes in case of supplies of goods specified in the Fifth Schedule to Act.

7. Suspension or Cancellation of Special Registration- If a person is entitled to delivery of goods under the rules., violates any provisions of these rules or the Sales Tax Act, 1990, his special registration shall immediately be suspended by the Collector of Sales Tax and Shall be liable to be cancelled after diving him a Show Cause Notice and an opportunity of being heard. This shall be in addition to any action that can be taken against him under he relevant provisions of the Sales Tax Act, 1990.

ANNEX-I

GOVERNMENT OF PAKISTAN

COLLECTORATE OF SALES TAX

CERTIFICATE OF SPECIAL REGISTRATION

(Under Section 60 of the Sales Tax Act, 1990)

(01) NAME :

(02) ADDRESS

(03) You have been registered as:

(I) Commercial Exporter;

(II) Manufacturer-cum-exporter exporting by value, more than seventy Per cent of your products.

(III) You are entitled to obtain delivery of certain raw materials or goods without payment of sales tax in terms of S.R.O. No.---------- dated

You are required to :-

(I) File a return in the designated bank relating to a month on or before the 15th of the following month.

(II) File a nil return even if no delivery of raw materials or goods is obtained during the relevant tax period; and

(III) Abide by all provisions f the Sales Tax Act, 1990, and rules made there under.

(04) Your Special Registration Number is:

(05) Date of Registration:

(In figure)

(In words)

(06) Certificate is valid for the financial year: 19 19

(06) This special registration number must be shown on all the supplies received and on all export documents etc. and quoted in all your correspondence with the Sales Tax Department.

(Name)

COLLECTOR OF SALES TAX

No.3 (18) STP / 98

(S. M. KAZIMI)

ADDITIONAL SECRETARY