

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

C.No.1(45)STT/2001/91296-R

Islamabad, the 1st July, 2013

To

The Assistant Registrar,
Human Rights Cell,
Supreme Court of Pakistan,
Islamabad.

SUBJECT: - HRC NO.35862-S/2012

I am directed to refer to the Honourable Supreme Court of Pakistan's letter dated 16.05.2013 of the Assistant Registrar, Human Rights Cell, Supreme Court of Pakistan, on the subject cited above and to say that FBR vide letter of even number dated 01.12.2011 (copy enclosed) has already furnished views/comment on an identical letter of Transparency International dated 20.11.2011 (copy enclosed). The same letter may be treated as part of the present reply.

2. Further to the said comments it is stated that in order to regulate and monitor the supplies made against International Tender, FBR introduced Chapter VII in the Sales Tax Rules, 2006 (copy enclosed). Later, through the Finance Act, 2012, the facility of zero-rating on "Supplies against International Tender" was replaced with exemption with a view to stop the malpractices, including generation of undue refunds.

3. The field formations have already been directed to take legal action in case of any misuse of the zero-rating facility. In one case of M/s SSANGYONG USMANI JV Order in Original No.10/2012 dated 28.08.2012 was passed against the contractor raising demand of sales tax of over Rs.351 million, along with default surcharge and 100% penalty. However, the order was set aside by the Appellate Tribunal, IR (copy enclosed).

4. In the absence of any specific information the figure of Rs.12 billions being quoted by the Adviser, Transparency International Pakistan can only be considered a general remark without any specific information or detail. However, the field formations are being directed to conduct audit of refund of zero rated supplies against international tenders. Added to this, through Finance Bill 2013 sales tax exemption on supplies against international tender has been withdrawn and supplies against international tenders are now subjected to standard rate of sales tax. It is hoped that with this levy of sales tax, there will be no possibility left to claim undue refunds against the said supplies.

Encls:-(As above)

-sd-
(Fahad Ali Chaudhary)
Secretary Tariff
(ST & FE)

Copy to:- ✓ The Adviser, Transparency International-Pakistan, 5-C, 2nd Floor, Khayaban-e-Ittehad, Phase VII, DHA, Karachi.

Fahad Ali Chaudhary
(Fahad Ali Chaudhary)
Secretary Tariff
(ST & FE)