



# TRANSPARENCY INTERNATIONAL-PAKISTAN

20<sup>th</sup> November 2011

**Mr. Salman Siddique,**  
Chairman,  
Federal Board of revenue,  
Islamabad.

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**Advisory Committee**

Sub: Complaint on Zero Slats Tax for Contractors of International tendered Contracts

Dear Sir,

Transparency International Pakistan has received a very serious complaint that a number of Contractors are allowed Zero Sales Tax on local purchase of material viz. MS Bars, MS. Sections. Cement, Cars, GL Pipes, Electric Cables etc by FBR under the provision of Section 4 of Sales Tax Act 1990 which allows Zero rate for supplies against International Tenders, for Government Tenders or even Private Companies tenders. The complainant has stated that it is a collusive practice. The relevant provisions of Sale Tax Act 1990 are quoted below.

**4. Zero rating.**

*Notwithstanding the provisions of section 3, the following goods shall be charged to tax at the rate of zero per cent:--*

(a) *goods exported, or the goods specified in the Fifth Schedule;*

**The Fifth Schedule**

**4. Supplies against international tenders.**

Transparency International Pakistan understand that Sales Tax is Zero for Goods to be Supplied outside Pakistan against International Tenders. We request the Chairman to kindly confirm following;

1. What is FBR definition of "**Supplies against international tenders**".
2. Does material such as Steel Bars, Steel Sections, Steel pipes, Steel Sheets, Cement, Cars, G.I. Pipes, Electric Cables etc purchased locally by a foreign/local contractor for execution of a Government Construction Contract for PIA, CDA, NHA, WAPDA, EOBI, Pakistan Steel, CAA etc. are imposed Zero ST by FBR under the provision of Section 4 of Sales Tax Act 1990.
3. Does such material purchased locally by a foreign/local contractor for execution of a non Government Construction Contract for MCB, HBL, EMMAR, Lever Brother, Bahria Foundation are imposed Zero ST by FBR under the provision of Section 4 of Sales Tax Act 1990.

Transparency International Pakistan is striving for the Rule of Law in Pakistan and an early response is need so as to proceed further with this complaint.

Regards,

  
**Syed Adil Gilani**  
Adviser

Copies forwarded for the information of,

1. Chairman Public Accounts Committee, National Assembly, Islamabad
2. Chairman, NAB, Islamabad.
3. The Federal Tax Ombudsman, Islamabad,
4. The Registrar, Supreme Court of Pakistan, Islamabad
5. Auditor General Pakistan, Islamabad
6. Member ( Inland Revenue), FBR, Islamabad