

**Government of Pakistan
Revenue Division
Federal Board of Revenue
Inland Revenue**



C.No.1 (1)/Secy-ST-OPS/2022/44997-R

Islamabad, the 21st March, 2023

**The Chairman
Pakistan Textile Exporters Association (PTEA)
30/7 Civil Lines, PTEA Road, Behind State Bank,
Faisalabad.**

Subject: **Clarifications in Respect of STGO 09 of 2023**

I am directed to refer to subject cited above. Please find enclosed clarification in respect of STGO 09 of 2023 dated 15.03.2023 in response to your letter No. PTEA/2023/064 dated 18th March, 2023.


(Naila Ashraf Khan)
Secretary (ST Operations)

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Subject: Clarifications in Respect of STGO 09 of 2023

The promulgation of STGO 09/2023 dated: 15.03.2023 was primarily aimed to streamline the process of expeditious refund issuance to export-oriented sectors along with removing certain systemic glitches that lead to revenue leakage. However, certain queries have been raised and certain issues have been highlighted by the textile exporters' associations on which FBR is pleased to make following clarifications;

a) Proration of Utilities between Domestic Supplies and Export


The issue has been raised that the quantum of utilities is not ascertainable between exports and local supplies. In this regard it is clarified that the only way forward is to prorate input of utilities between local sales and exports in proportion of goods consumed against them. However, if the association comes up with a better viable solution to the issue, it shall be considered by the Board.

b) Negative List

Through STGO 09/2023, FBR has issued negative list of 714 items on which input tax adjustment shall not be allowed to export-oriented sectors. It has been asserted that the item at serial No. 212 having HS code 2501 with description "*Salt (including table salt and denatured salt) pure sodium chloride whether or not in aqueous solution sea water*", is related to textile manufacturing process and may be excluded from the negative list as the said item is an integral part of the industry. FBR has considered and has decided to exclude the HS code 2501 from negative list.

c) Percentage of 12% Refund to Exports

The Association has demanded to enhance the 12% percentage as the standard rate of sales tax has increased from 17% to 18%. It is pertinent to mention that



during the meeting on 01.03.2023 with the representatives of textile exporters, it was repeatedly asked regarding the basis of this benchmark; but no cogent reason with respect to 12% capping was provided by the associations present in the meeting. The associations must provide the basis of fixation of this percentage. Further, if linkage with the increased tax rate is established, it shall be duly considered in the future review meeting.

d) Cross Match of Date of Export GD and Purchase Invoice

It has been presumed by the exporters' associations that FASTER will defer the claims where there is mismatch of export GD with purchase invoice. It is however, clarified that valid inputs, used or to be used in making taxable supplies, will be carried forward rather than deferred. Incorrect application of this check, wherever pointed out, shall be rectified expeditiously.

e) Refund Claims of Newly-Registered Manufacturers-cum-Exporters

It has been suggested by the exporters that this parameter will discourage exports. It is pertinent to mention that this is not a new insertion; in fact it was already a unanimously-decided check which now has been integrated in the automated system.

f) Roll-Back Issue

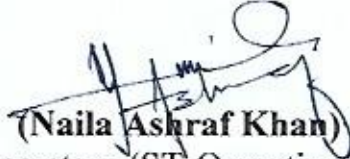
The Association has raised the issue to allow roll-back of cases which have been deferred owing to system glitches. It is clarified that Board shall allow roll back of cases which are deferred owing to certain system glitches. No roll-back of cases shall however, be allowed which are excluded / deferred due to their failure to meet the prescribed system checks, parameters or benchmarks.

g) Value Addition @ 15%

FBR has applied check of 15% value addition on both exports and local supplies after unanimous decision during the meeting with the exporters' associations on 01.03.2023 against its proposed enhancement to 25%. The matter has to be reviewed for further enhancement from 15% after 02 months.

h) GDs under Objection

FASTER shall defer the input tax claim on GDs under objection. It is to clarify that the input under objection shall not be allowed wherein validity of such claim is not ascertainable.


(Naila Ashraf Khan)
Secretary (ST-Operations)