

Pakistan Knitwear & Sweater Exporters Association

1014-16, Park Avenue, PECHS Block 6

Shahrah-e-Faisal, Karachi-75350

Tel: 34544035, SG: 34544039, email: info01@paksea.com

Circular to members # 95 of 2022-23

March 20, 2023

Specified goods, services

FBR disallows ST refunds to 5 export-oriented sectors



Federal Board of Revenue (FBR) has disallowed the sales tax refunds of number of specified goods and services for five export-oriented sectors - textile, carpets, leather, surgical & sports through the Sales Tax General Order (STGO)09/2023,

The STGO states that since the listed goods and services are not related to business activity or otherwise inadmissible under the law, the same are being disallowed for refund purposes.

The STGO 09/2023 is the 2nd list of its kind which has been issued on negative goods and services. In the past, STGO No. 12 of 2022 dated 07 April 2022 was issued whereby input tax adjustment on certain goods was denied to manufacturers of oil & ghee and steel melter and re-rollers.

Apart from a long list of goods disqualified for sales tax refunds for abovementioned sectors, the subject STGO also contains a list of debarred services which are taxable under the Provincial Sales Tax Laws.

Talking to Business Recorder, Ghazanfar Siddiqi, Executive Director Tax at Moore Shekha Mufti strongly disagreed with the measure announced by FBR.

He asserted that Sales Tax Laws did not empower FBR to specify negative list of goods and services to disallow input tax/ refund.

He contended that the STGO contradicts the stipulations of Section 8 of the Sales Tax Act 1990 and accordingly is entirely illegal.

The law expert contended that legitimacy of aforesaid STGO may be challenged before the Superior Courts.

Ghazanfar was apprehensive that after steel and now export-oriented sectors, the FBR may also issue identical negative lists for other businesses in the times to come. This will prosper litigation and cost of doing business, he concluded.

M. Siddique
Secretary General
0320-8364130