

GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE

C. No. 4/22-STB/2017

Islamabad, the 2nd August, 2017.

SALES TAX GENERAL ORDER No. 119 OF 2017

Subject: - **PROCEDURE FOR ADJUSTMENT OF SALES TAX BY STEEL MELTERS UNDER SUB-RULE (2C) OF RULE 58H OF THE SALES TAX SPECIAL PROCEDURES RULES, 2007.**

In supersession of Sales Tax General Order No. 18 of 2016 dated 9th February, 2016, and in exercise of the power conferred under sub-rule (2C) of rule 58H of the Sales Tax Special Procedures Rules, 2007, the Federal Board of Revenue is pleased to direct that the following procedure shall be followed for adjustment by steel melters of the sales tax paid at import stage on the specified categories of remeltable iron and steel scrap, namely: –

1. The adjustment procedure under sub-rule (2C) of rule 58H of the Sales Tax Special Procedure Rules, 2007 shall be applicable only to such steel melting units (hereinafter referred to as “entitled steel melters”) which are paying sales tax through their electricity bills in the manner prescribed in sub-rule (2) of rule 58H *ibid*. (Steel mills operated by sugar mills or other persons using self-generated electricity under rule 58H of the said Rules and steel melting and re-rolling units which have opted to pay sales tax on ad valorem basis under rule 58Ma *ibid* shall not be entitled to this adjustment procedure).
2. Adjustment shall be admissible/allowed only on import of remeltable iron and steel scrap falling under PCT Headings

7204.3000, 7204.41000 and 7204.4990 (hereinafter referred to as "specified scrap categories"). The adjustment shall be allowed only to the extent of sales tax, paid at import stage on the specified scrap categories and which has actually been consumed in the production of steel products. The said consumption shall be determined on the basis of consumption of 800 electricity units for the production of one metric ton of ingots/billets allowing 5% wastage.

3. Pakistan Steel Melters Association shall provide to the Board a list of entitled steel melters, as noted above, having single electricity meter including composite units having both remelting and re-rolling facility. The list shall include the particulars such as NTN/STRN, electricity consumer number, name of DISCO, composite or otherwise, etc. Subsequent additions to the list shall be provided by the Association in the same manner. Such lists shall be referred to concerned RTOs/LTUs for post-verification by the Board to identify the nature of the unit i.e. whether composite or stand alone steel melters which shall be used for the application of formula as provided under para 5 accordingly.
4. An entitled steel melter whose names are available in the list referred in para-3 above, using his e-FBR Login-ID shall select the input GDs of specified scrap categories against which adjustment is sought indicating the extent of adjustment against each.
5. The system shall print an adjustment note indicating sales tax credit available for adjustment. The note shall be presented to relevant DISCO which shall verify the note from e-FBR portal. It shall then allow adjustment/deduction from the sales tax charged through the electricity bill for a particular month as per formula given below

subject to the maximum limit of sales tax credit indicated in the adjustment note in accordance to the nature of the unit as mentioned in para 3 :

For stand-alone steel melters:


$$\frac{\text{Electricity Units Consumed in the month} \times \text{Rs.5,880}}{800}$$

For composite steel melting and re-rolling units:

$$\frac{\text{Electricity Units Consumed in the month} \times \text{Rs.5,880}}{930}$$

6. DISCOs shall maintain account of adjustment allowed against a particular adjustment note and the balance shall be carried forward to the subsequent month for adjustment in similar manner.
7. In case the amount determined through aforesaid formula exceeds the available credit limit, such excess amount shall **NOT** be carried forward to next month.
8. When the credit balance available in the adjustment note is exhausted or near exhaustion, the entitled steel melters may obtain another adjustment note against subsequent imports in the manner indicated above.
9. Copies of adjustment notes shall be made available to respective RTOs/LTUs in the system for monitoring purpose.
10. FBR's computerized system shall maintain proper record of GDs against which adjustment has been allowed.

11. This general order shall be applicable to imports against GDs filed on or after 1st July, 2017.
12. Commissioner concerned in cases where unadjusted sales tax is available on the basis of GDs upto 30.06.2017, shall issue a sales tax adjustment certificate of the unadjusted amount by 15.08.2017. Such refund shall be adjusted before any amount adjustable on GDs for re-meltable iron and scrap imported after 01.07.2017.


(Muhammad Zaheer Qureshi)
Secretary (ST&FE-Budget)