

## INPUT ADJUSTMENT LIMIT OF 90% OF OUTPUT WAIVED FOR CERTAIN SECTORS

### PROLOGUE

Federal Board of Revenue (“FBR”) issued SRO 1190(I)/2019 dated: October 02, 2019 with respect to applicability of section 8B of Sales Tax Act, 1990 (“STA”).

Section 8B provides that input tax amount, exceeding 90% of the output tax for a period, shall not be allowed to be adjusted in that period and will be carried forward to next tax periods.

### COMMENTS

A. SRO 1190 provides that the restriction of 90% of output tax will not apply to following:

1. Persons registered in electrical energy sector,
2. Oil Marketing Companies and Petroleum refineries,
3. Fertilizers manufacturers,
4. Persons making zero rated supplies, including exports, provided that value of such supplies exceeds 50% of value of all taxable supplies in a tax period,
5. Distributors,
6. Gas Distribution Companies,
7. Telecommunication services,
8. Pakistan Steel, Bin Qasim, Karachi,
9. Registered persons other than manufacturers, making supplies of items covered under the Third Schedule to the STA on which sales tax has been paid by the manufacturers or importer on retail

price, provided that value of such supplies exceeds 80% of value of all taxable supplies in a tax period, and

10. Commercial importers where value of imports subject to 3% value addition as prescribed in twelfth schedule to STA exceeds 50% of value of all taxable purchases, including imports, in a tax period.

B. The notification further provides that retailers importing goods in bulk and operating chains of stores may adjust input tax to the extent of 95% of the output tax for that tax period and excess amount shall be carried forward to next tax period.

### DISCLAIMER

These comments are based on the laws as of date unless otherwise specified. Tax laws are subject to changes from time to time and as such any changes may affect the comments contained in this document. We bear no responsibility to update our comments for events and circumstances occurring on or after the date of this document, unless specifically requested by you.

The tax advice is a matter of interpretation of law and is based on our judgments and experience, therefore, it cannot be said with certainty that the comments expressed above would be accepted or agreed by the tax authorities. Furthermore, we are not extending any sort of guarantee, financial or otherwise, for the acceptance of these comments by any authority.