

**GOVERNMENT OF PAKISTAN**  
**MINISTRY OF FINANCE, ECONOMIC AFFAIRS,**  
**STATISTICS AND REVENUE**  
**(REVENUE DIVISION)**

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Islamabad, the 30<sup>th</sup> June, 2007.

**NOTIFICATION**  
**(SALES TAX)**

**S.R.O. 660(I)/2007.**— In exercise of the powers conferred by sub-section (6) and sub-section (7) of section 3 of the Sales Tax Act, 1990, read with section 71 thereof, the Federal Government is pleased to make the following rules, namely:—

**1. Short title, application and commencement.**—(1) These rules may be called the Sales Tax Special Procedure (Withholding) Rules, 2007.

(2) They shall apply to all taxable goods and services as are supplied by a supplier to the Government departments, autonomous bodies and public sector organizations, hereinafter referred to as withholding agents.

<sup>1</sup>[Explanation.— “withholding agent” includes the accounting office which is responsible for making payment against the purchases made by a government department.]

(3) They shall come into force on the 1<sup>st</sup> day of July, 2007.

**2. Responsibility of a withholding agent.**— (1) The withholding agent, intending to make purchases of taxable goods, shall indicate in an advertisement or notice for this purpose that the sales tax to the extent as

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<sup>1</sup> Explanation added vide SRO 77(I)/2008 dated 23.01.2008.

provided in these rules shall be deducted from the payment to be made to the supplier.

(2) A withholding agent shall deduct an amount equal to one fifth of the total sales tax shown in the sales tax invoice issued by the supplier and make payment of the balance amount to him as per illustration given below,--

**ILLUSTRATION:**

Value of taxable supplies excluding sales tax	Rs. 100
Sales tax chargeable @ 15%	Rs. 15
Sales tax deductible by the withholding agent	Rs. 3 (i.e. Rs. 15 ÷ 5)
Sales tax payable by the withholding to the supplier	Rs. 12 (i.e. Rs. 15 - Rs. 3)
Balance amount payable to the supplier by the withholding agent	Rs. 112 (Rs. 100 + Rs. 12);

(3) All withholding agents shall make purchases of taxable goods from a person duly registered under the Sales Tax Act, 1990, provided that under unavoidable circumstances and for reasons to be recorded in writing <sup>2</sup>[if] purchases are made from unregistered persons, the withholding agent shall deduct sales tax at 15% of the value of taxable supplies made to him from the payment due to the supplier.

<sup>3</sup>[(4) Where the purchases are made by a government department, the following procedure shall be observed, namely:—

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<sup>2</sup> Substituted for coma vide SRO 77(I)/2008 dated 23.01.2008.

<sup>3</sup> Sub-rules (4) to (8) substituted vide SRO 77(I)/2008 dated 23.01.2008. for following:

(a) the Drawing and Disbursing Officer (DDO) preparing the bill for the accounting office shall indicate the amount of sales tax withheld as prescribed above. The accounting office shall adopt the procedure as indicated below:

(i) in case of purchases made by a department under the Federal Government, the office of the Accountant General of Pakistan Revenue shall account for the amount deducted at source during a month under the Head of Account "B02341-Sales Tax" and send an intimation to the Member (Sales Tax), Federal Board of Revenue, by the 15<sup>th</sup> of the following month;

(ii) in case of purchases by departments under provincial or district governments, the Accountant General of the province or the District Accounts Officer, as the case may be, shall credit the amount deducted at source during a month to the head of account "G12777-Sales Tax Deductions at Source under Sales Tax Special Procedure (Withholding) Rules, 2007". Cheque for the amount will be prepared by the Accountant General or the District Accounts Officer, as the case may be, in the name of Collector having

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"(4) The sales tax so deducted shall be deposited by the withholding agent in the designated branch of National Bank of Pakistan under Head of Account "B02341-Sales Tax" on sales tax return-cum-payment challan in the form set out at Annexure to these rules, by 15<sup>th</sup> of the month following the month during which payment has been made to the supplier:

Provided that a single return-cum-challan can be filed in respect of all purchases for which the payment has been made in a month:

Provided further that in case the withholding agent, is also registered under the Sales Tax Act, 1990, with respect to the taxable supplies provided or services rendered by him, he shall deposit the withheld amount of sales tax in the manner as provided under Chapter II of the Sales Tax Rules, 2006, along with other sales tax liability. In such case the Annexure to these rules shall be submitted to the Collector having jurisdiction.

(5) The Annexure to these rules, shall be prepared and deposited with the bank in triplicate and the bank shall send the original to the Collectorate of Sales Tax having jurisdiction, return the duplicate to the depositor and retain the triplicate for its own record.

(6) The withholding agent shall furnish to the Collector of Sales Tax having jurisdiction all such information or data as may be requested by him for carrying out the purposes of these rules.

(7) A certificate showing deduction of sales tax shall be issued to the supplier by the withholding agent duly specifying the name and registration number of supplier, description of goods and the amount of sales tax deducted."

jurisdiction by debit to the aforesaid head of account and sent to the Collector by the 15<sup>th</sup> of the following month; and

(iii) where the purchases are made by the departments falling in purview of Military Accountant General, the MAG shall account for the amount deducted at source during a month under the Head of Account "B02341-Sales Tax" and send intimation to the Member (Sales Tax), Federal Board of Revenue, by the 15<sup>th</sup> of the following month. The amount so deducted at source shall be reported by MAG office to AGPR through civil exchange accounts; and

(b) the concerned Drawing and Disbursement Officer shall prepare the return in the form as in the Annexure to these rules for each month and forward the same to the Collector having jurisdiction by the 15<sup>th</sup> of the following month.

(5) In case of purchases, not covered by sub-rule (4) above, the sales tax deducted at source shall be deposited by the withholding agent in the designated branch of National Bank of Pakistan under Head of Account "B02341-Sales Tax" on sales tax return-cum-payment challan in the form set out at Annexure to these rules, by 15<sup>th</sup> of the month following the month during which payment has been made to the supplier. The return-cum-payment challan shall be prepared and deposited with the bank in triplicate and the bank shall send the original to the Collectorate of Sales Tax having jurisdiction, return the duplicate to the depositor and retain the triplicate for its own record:

Provided that a single return-cum-challan can be filed in respect of all purchases for which the payment has been made in a month.

(6) In case the withholding agent, is also registered under the Sales Tax Act, 1990, with respect to the taxable supplies provided or services rendered by him, he shall deposit the withheld amount of sales tax in the manner as provided under Chapter II of the Sales Tax Rules, 2006, along with other sales tax liability and the Annexure to these rules shall also be filed electronically in the manner as specified under aforesaid Chapter:

Provided that in case the withholding agent is not registered for sales tax but holds a national tax number assigned under the Income Ordinance, 2001, he shall also file the return prescribed in these rules electronically and deposit the amount deducted at source in the manner as provided for persons filing returns electronically under rule 18 of the Sales Tax Rules, 2006:

Provided further that any other withholding agent may also opt to file the prescribed return electronically and deposit the deducted amount in the manner as provided in this sub-rule.

(7) The withholding agent shall furnish to the Collector of Sales Tax having jurisdiction all such information or data as may be requested by him for carrying out the purposes of these rules.

(8) A certificate showing deduction of sales tax shall be issued to the supplier by the withholding agent duly specifying the name and registration number of supplier, description of goods and the amount of sales tax deducted.]

**3. Responsibility of the <sup>4</sup>[registered supplier].—** (1) The [registered supplier] shall issue sales tax invoice as stipulated in section 23 of the Sales Tax Act, 1990, in respect of every taxable supply made to a withholding agent.

(2) The [registered supplier] shall file monthly return as prescribed in the Sales Tax Rules, 2006, and shall adjust total input tax against output tax under sections 7, 8 and 8B of the Sales Tax Act, 1990, taking due credit of the sales tax deducted by the withholding agent, in the manner as prescribed in the return under Chapter II of the Sales Tax Rules, 2006.

**4. Responsibility of the Collector.—** (1) The Collector shall keep a list of all withholding agents falling in his jurisdiction and monitor payment of tax deducted by withholding agents falling in his jurisdiction and shall also ensure that the return prescribed under these rules is filed.

(2) The Collector shall ensure that the return received from the bank is duly fed in the computerized system as referred to in clause (5AA) of section 2 of the Sales Tax Act, 1990.

(3) The Collector shall periodically ensure that the suppliers mentioned in the return filed by the withholding agents, as fall under his jurisdiction, are filing returns under section 26 of the Sales Tax Act, 1990, read with Chapter II of the Sales Tax Rules, 2006, and are duly declaring the supplies made to withholding agents.

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<sup>4</sup> Substituted for the word “supplier” occurring thrice in the rule vide SRO 77(I)/2008 dated 23.01.2008.

<sup>5</sup>**[5. Exclusions.–** The provisions of these rules shall not apply to the supplies of the following goods and services if made by a registered person, namely:–

- (i) Electrical energy;
- (ii) Natural gas;
- (iii) Petroleum products as supplied by petroleum production and exploration companies, oil refineries and oil marketing companies;
- (iv) mild steel products;
- (v) products made from sheets of iron or non-steel alloy, stainless steel or other alloy steel, such as pipes, almirahs, trunks etc.
- (vi) paper, in rolls or sheets;
- (vii) plastic products including pipes;
- (viii) vegetable ghee and cooking oil; and
- (ix) telecommunication services.]

**6. Application of other provisions.--** All the provisions of the rules and notifications made or issued under the Sales Tax Act, 1990, shall apply to supplies as aforesaid not inconsistent with the provisions of these rules.

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<sup>5</sup> Rule 5 substituted vide SRO 77(I)/2008 dated 23.01.2008. Earlier it read as under:

“5. Exclusions.– The provisions of these rules shall not apply to the following registered persons, namely:–

- (a) Gas and electricity distribution companies;
- (b) telecom companies;
- (c) oil marketing companies and oil refineries;
- (d) independent power producers (IPPs); and
- (e) steel re-rollers supplying mild steel products.”

The above was earlier substituted vide SRO 956(I)/2007 dated 14.09.2007 for following:

“**5. Exclusions.--** The provisions of these rules shall not apply to supplies and services made or rendered by the companies engaged in,-

- (i) distribution of gas and electricity; and
- (ii) providing telephone services, including mobile phone services.”

