GOVERNMENT OF PAKISTAN
CENTRAL BOARD OF REVENUE
SALES TAX WING

Islamabad, the 19th December, 2003

NOTIFICATION
(SALES TAX)

S.R.O. 1283(I)/97.- In exercise of the powers conferred by section 71 of the Sales Tax Act, 1990, read with section 34A thereof, the Federal Government is pleased to make the following rules in respect of ship-breaking industry, namely:--

1. Short title, application and commencement.-

(1) These rules may be called Ship-Breaking Industry (Special Procedure) Rules, 1997.

(2) They shall apply to ship breakers.

(3) They shall come into force at once.

2. Definitions.-

(1) In these rules, unless there is anything repugnant in the subject or context.-

(a) "Act" means the Sales Tax Act, 1990;

(b) "Bank" means the designated branch of the National Bank of Pakistan;

(c) "ship" means all kinds of vessels and floating structures including launch boat and tug boat, whether self propelled or otherwise;

(d) "ship-breaker" means a registered person engaged in any process or operation of breaking, dismantling, cutting of ship or retrieving or separating any article, accessory or part of ship for supply whether by the owner of the ship himself or his agent;

(e) "ship-breaking" means and includes--

(i) any process or operation by which ship or part of a ship is broken or dismantled or is cut into ship scrap;

(ii) process or operation of retrieval or separation of any article, accessory or part of a ship; and

(iii) converting a ship into ship scrap by any other method or manner.

(f) "Notification" means the Central Board of Revenue Notification No. S.R.O. 1282(1)/97, dated the 19th December, 1997; and

(g) "quantity of goods" means quantity or the weight of ship scrap in metric tonne.

(2) All other words and expressions used but not defined in these rules shall have the same meanings as are assigned to them in the Act.

3. Registration.-

(1) A ship breaker who is not already registered as ship breaker shall apply for registration to the Collector of Sales Tax having jurisdiction over the area where the ship-breaking is to be carried out.

(2) The application for registration shall be processed in the Collectorate and a certificate of registration shall be issued to the applicant in accordance with Registration, Voluntary Registration and De-registration Rules, 1996.

4. Tax Invoice.-
(1) The ship breaker shall issue a serially numbered tax invoice at the time of supply of goods containing the following particulars, namely:

(a) name, address and registration number of the supplier;
(b) name, address and registration number (if any) of the recipient;
(c) date of issue of invoice;
(d) item-wise complete description and quantity of goods;
(e) unit value and total value of goods supplied, excluding sales tax;
(f) amount of sales tax charged; and
(g) value of goods supplied inclusive of sales tax.

(2) The minimum sales values of supply of goods shall not be less than the values fixed vide Notification No. S.R.O. 1282(1)/97, dated the 19th December, 1997.

5. Determination of input tax.-

(1) The input tax for a tax period shall be determined in the following manner, namely:

(a) Input Tax = quantity of goods x input Tax per metric tonne of ship.

(b) input tax per metric tonne of ship = \( \frac{\text{Total sales tax paid at import stage}}{\text{weight of ship in metric tonne}} \)

(c) 1 LDT = 1.016 M. Tonne.

(2) Sales tax paid at import stage shall be the amount of sales tax paid as per bill of entry duly cleared by the customs authorities under section 79 or 104 of the Customs Act, 1969 (IV of 1969).

(3) If the ship-breaker does not hold a bill of entry, or holds a bill of entry which does not mention the amount of sales tax paid at import stage, the sales tax shall be the amount paid in treasury through treasury challan.

(4) Where any credit of input tax is claimed on domestic purchases, the ship breaker shall submit the requisite documents as specified in the Sales Tax Refund Rules, 1996, within a period of ten days of submission of Sales-Tax-Return-cum Payment-Challan.

(5) In case of deferment of payment of sales tax under the relevant rules, no refund or adjustment of input tax shall be allowed until the installment has been paid and the refund or adjustment shall be restricted to the extent of the amount of installment paid.

6. Payment of output tax.-

(1) The ship-breaker shall deposit the output tax alongwith Sales Tax Return-cum-Payment-Challan in the form, set out in annexure A to these rules, in the Bank on or before the due date after deduction through adjustment or carry forward of input tax credit involved and paid on the quantities of ship-scrap supplied.

(2) The ship-breaker may deposit the advance sales tax before the time of supply which will be treated as carry forward amount provided that all formalities i.e. issuance of sales tax invoices, maintenance of proper record, filing of monthly returns etc. are complied with.

(3) Subject to the maximum aggregated wastage upto seven per cent, the following shall normally be percentage or proportion of scrap and other products obtained from the breaking of oil tankers, bulkers, cargo ships, drilling ships, war ships, passenger ships and cattle carriers, namely:

(i) ship plate and profiles of \( \frac{1}{2} \)" thickness and above

(ii) ship plate and profiles of \( \frac{3}{8} \)" thickness and above but below \( \frac{1}{2} \)"
(iii) second quality re-rollable scrap of short lengths ............ 15%
(iv) small irregular pieces and re-meltable scrap ............... 15%
(v) cast iron, pipes or cast steel .................. 7.5%
(vi) non-ferrous metals .................. 0.5%
(vii) stores or machinery ................. 2.0%; and

(4) In case of ships other than those specified in sub-rule (3), the percentage of scrap and products shall be determined by local sales tax office in consultation with Pakistan Ship breaker's Association.

7. Records.-

In addition to records specified under the Act, the ship-breakers shall maintain additional ship-wise records in the form set out in annexure `B' to these rules.

8. Time limit for input adjustment.-

(1) The ship-breakers shall clear their sales tax liabilities in respect of ships weighing up to ten thousand LDT within four months and in case of ships weighing more than ten thousand LDT within eight months from the date of filing of bill of entry:

Provided that the sales tax liability shall have to be cleared by the ship-breaker either on completion of clearance of goods of the vessel or within the maximum time period allowed, whichever is earlier:

Provided further that the sales tax liability on value addition on goods cleared during the month shall be paid alongwith the monthly return.

(2) In case ship-breaker fails to clear his stocks by the time limit specified in sub-rule(1), he shall pay the balance output tax on whole of the remaining stocks by the 20th day of the following month after adjustment of remaining input tax:

Provided that subject to the provisions of rule 9, as and where applicable and notwithstanding anything contained in any notification issued for the purpose of valuation under these rules, the liabilities of sales tax in respect of a ship, including a ship in respect of which bill of entry is filed in future, shall be deemed to have been discharged only when the tax is paid in the basis of minimum value addition fourteen percent over and above the value assessed on the bill of entry for the sales tax purposes:

Provided further that the maximum aggregate wastage, permissible under sub-rule (3) of rule 6, shall not affect the minimum value addition of twenty-one percent as aforesaid while discharging the total liabilities of sales tax in respect of a ship.

(3) Commencement of audit of records may start within two weeks of expiry of final date of deposit of Sales-Tax-Return-cum-Payment-Challan or the expiry of time limit specified in sub-rule (1), whichever is earlier, alongwith sales tax on balance stock as provided in sub-rule (2) and, if nothing contrary to these rules is found, the Assistant Collector Incharge Audit shall issue a certificate to the ship-breaker in the format, as the concerned Collector may specify, to the effect that the total sales tax liabilities on ship have been discharged.

9. Final discharge of tax liabilities and waiver of additional tax or penalties.—

(1) Notwithstanding anything contained in these rules, or any other notification issued for the purpose of valuation under these rules, if a ship breaker in respect of --

(a) stocks held on 19th December, 1997;
(b) stocks relating to bills of entry filed thereafter; and
(c) stocks of those bills of entry filed on or after 19th December, 1997, as have already been cleared.
Pay on or before 30th June, 2001, tax liability on the basis of a minimum value addition of twenty-one percent over and above the value assessed on the bill of entry for sales tax purposes, the liabilities of sales tax shall be deemed to have been discharged as laid down under the first proviso to sub-rule(2) of rule 8 and penalty in terms of section 33 and additional tax in terms of section 34 or any other provisions of the Act or rules made thereunder shall stand exempted:

Provided that in case of the stocks already cleared, if the tax liability on the basis of minimum value addition of twenty-one percent as aforesaid exceeds the amount of tax already paid, the ship breaker shall pay on or before the said date only the differential amount of tax:

Provided further that in case of such stocks, if the tax liability computed on the basis of minimum value addition of twenty-one percent as aforesaid is lesser than the amount of tax already paid or recovered, the ship breaker shall not be entitled to refund of any amount of tax.

(2) In case of a ship breaker who discharges his tax liabilities under sub-rule (1), audit of records shall be commenced two weeks after 30th June, 2001, and certificate as required under sub-rule (3) of rule 8 shall be issued by the Assistant Collector Incharge Audit thereafter but not later than 15th September, 2001

Amended vide SRO 313(I)/2001 dated 23.05.2001
Amended vide SRO 699(I)/2002 dated 12.10.2002
Amended vide SRO 887(I)/2003 dated 05.09.2003