

**GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
CENTRAL BOARD OF REVENUE**

C. No. 3(15)ST-L&P/99(Pt-I)

Islamabad, the 6th October, 2008

FEDERAL EXCISE GENERAL ORDER NO. 02 /2008

Subject: FEDERAL EXCISE DUTY ON GOODS PRODUCED BY VENDORS (TOLL MANUFACTURERS) FROM THE RAW MATERIALS SUPPLIED BY THE PRINCIPALS.

Federal Excise General Order no. 02/2005 dated 15.08.2005, in its para (vi), addresses some issues relating to payment of federal excise duty (FED) in cases where a vendor (toll manufacturer) manufactures goods from the raw materials provided by the principal. In view of further queries received in this respect, following clarifications are made:

(a) Both vendor and the principal fall in purview of the definition of manufacturer as provided in the Federal Excise Act, 2005 and both shall discharge their liability to pay duty under the law.

(b) The assessable value for excise duty payable by the vendor shall be the actual consideration in money received i.e. the gross conversion charges received.

(c) The aforesaid principle will also apply to cases where the goods so manufactured by the vendor are otherwise chargeable to FED on the basis of retail price. The principal will pay duty on the basis of retail price, inclusive of all duties, charges and taxes other than sales tax, whereas the vendor will be liable to pay duty only on his gross conversion charges.

(d) The vendors shall not be entitled to any adjustment in case of duty-paid input goods used in the manufacturing process as are owned by the principal. However, the vendor shall be entitled to adjust FED paid by him on direct input goods which are purchased by him on payment of duty.

(e) The principal shall be entitled to adjust FED paid by him to the vendor against conversion charges as well as the duty paid by him on the raw materials owned by him, as were supplied to the vendor for manufacturing, against the final liability of the principal.

(f) The vendors shall comply with all the applicable provisions of the Federal Excise law and the principals will not be required to pay any duty on the movement of such raw materials or inputs from their possession to the vendors for the purpose of manufacture or production of excisable products on their behalf, though they will properly account for such movements in their records.

(g) The aforesaid procedure shall also be applicable to Special Excise Duty (SED) payable under SRO 655(I)/2007 dated 29.06.2007. However, as regards adjustment, it is clarified that adjustment of SED can only be made against SED

and the same principle applies to FED payable under First Schedule of the Federal Excise Act, 2005.

(Abdul Hameed Memon)
Secretary (ST&FE-L&P)

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