

Brief on changes in Sales Tax vide notifications issued on June 30, 2016

1. Five Zero Rated Sectors (SRO 1125(i)/2011)

- Supply and import of the raw materials specified in table I of SRO 1125(i)/2011 within five zero rated sectors has been made zero rated.
- Supply of finished fabric to retailers or end consumers is now subject to sales tax at 5%.
- Toll manufacturing activity of five zero rated sector goods receipts has also been made zero rated.
- Supply of tarpaulin tents and other camping goods has also been notified as goods covered under five zero rated sector.
- Input tax paid on packing material by the registered person in five zero rated sectors has been made inadmissible. However, refund for any other input tax can be claimed in accordance with Sales Tax Act, 1990
- Facility of purchase of furnace oil, diesel oil or coal at zero rate of sales tax subject to issuance of STGO by the board has been announced for the manufacturers of five sectors.
- The substituted table II prescribing the sales tax rates for five zero rated goods read as under:

| S.No | Description of goods and point of taxation | PCT heading No | Rate of Sales tax |
|------|--|--|--|
| (1) | (2) | (3) | (4) |
| 1. | <p><u>Goods usable as industrial inputs, specified in Table I, including Fabrics</u></p> <p>(1) Import of in house consumption by registered manufactures of the five sectors mentioned in condition (i) below</p> <p>(2) Commercial imports</p> <p>(3) Supplies to registered or unregistered persons of the said five sectors, excluding supplies of finished fabric</p> <p>(4) Supplies to persons outside the said five sectors</p> <p>(5) Import by or supply to registered manufactures whether or not of the said five sectors, for the manufacturer of goods specified in Table I or Table II</p> <p>(6) Supplies of finished fabric to manufactures of five sectors specified in condition (i) below</p> <p>(7) Supplies of finished fabric to and by retailers, suppliers of finished fabric to end consumers other supplies of finished fabric.</p> | As specified in column (3) of table –I | <p>0%</p> <p>0% plus 0%</p> <p>0%</p> <p>17%</p> <p>0%</p> <p>0%</p> <p>5%</p> |

| | | | |
|----|---|---------------------|---------------------------------------|
| 2. | Processed goods, including fabrics Processing of goods owned by the other person by registered manufactures of the five sectors mentioned in condition (i) below | Respective headings | 0% of the processing charges |
| 3 | Locally manufactured finished article of a) Textiles and textile made ups b) Leather and artificial leather | Respective headings | 5% |
| 4 | Imported finished goods of five sector mentioned in condition (i) below ready for use by the general public 1. Import 2. Supply thereof | Respective headings | 17% plus 2% value addition tax 17% |

2. Changes in special procedure rules, 2007

- Retailers who are liable to pay sales tax at standard rate of 17% have been given choice to pay tax at standard rate or by exercising option to be taxed under turnover regime whereby tax at the rate of 2% of total turnover including exempt supplies will be payable without adjustment of any input tax.

Such exercise of option will have to be communicated to the concerned chief commissioner by 15th July, 2016 which will remain enforced for the whole financial year.

- New chapter has been inserted whereby marble and granite manufacturing units registered with All Pakistan Marble Manufacturing Association have been notified to be taxed on the basis of electricity consumption at the rate of Re. 1 and 25 paise per unit of electric consumption.

The electric distribution company will collect this tax along with electricity bill, further this fixed sales tax will be in addition to sales tax chargeable on electricity bill at standard rate, extra tax and further tax levied under Sales Tax Act, 1990.

No input tax adjustment allowed.

3. Others

I. Value of supply of white crystalline sugar U/S 2(46) of the Sales Tax Act, 1990

- White crystalline sugar has been fixed at Rs. 56 per KG for domestic production and US\$ 725 per MT for imports.

II. Exemption from payment of further tax

- Supply of second hand clothing and worn clothing has been included in the list of supplies as provided in SRO 648(i)/ 2013 on which further tax is not payable.