

**SALES TAX**

*The amendments are applicable from July 01, 2011 specified otherwise.*

SECTION	PRESENT POSITION AS ON 30 <sup>TH</sup> JUNE, 2011	PROPOSED AMENDMENT THROUGH FINANCE BILL 2011
3	<p><b>3. Scope of tax.—</b>            (1) Subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of seventeen per cent of the value of--            (a) taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him; and            (b) goods imported into Pakistan.</p>	<p><i>The rate of sales tax has been proposed to reduce from seventeen per cent to sixteen percent, effective from July 1, 2011.</i></p>
8B	<p><b>Adjustable input tax.—</b> (1) Notwithstanding anything contained in this Act, in relation to a tax period, a registered person shall not be allowed to adjust input tax in excess of ninety per cent of the output tax for that tax period:</p> <p>Provided that the tax charged on the acquisition of fixed assets shall be adjustable against the output tax in twelve equal monthly installments</p>	<p><i>It is proposed to substitute the proviso, whereby refund of sales tax on fixed assets shall be allowable in the tax period of input tax paid, whereby refund/adjustment instead of twelve equal monthly installments. In our opinion the amendment is retrospective in effect being remedial in nature.</i></p> <p><i>The proposed proviso reads as under:</i></p>

		<p>Provided that the restriction on the adjustment of input tax in excess of ninety per cent of the output tax, shall not apply in case of fixed assets or capital goods.</p>
21(3)	<p><b>De-registration, blacklisting and suspension of registration.</b></p> <p><i>Non existent</i></p>	<p><i>The new sub-section (3) proposed to be added as under:</i></p> <p>During the period of suspension of registration, the invoices issued by such person shall not be entertained for the purposes of sales tax refund or input tax credit, and once such person is blacklisted, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such blacklisting shall be rejected through a self speaking appealable order and after affording an opportunity of being heard to such person.</p> <p><i>The amendment has been brought to undo court's / Appellate Tribunal decision whereby it was held that claim of input tax cannot be denied when purchases were made at the time the supplier was not black listed.</i></p>

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26(3)	<p><b>Returns -</b></p> <p>A registered person may, subject to approval of the Commissioner Inland Revenue having jurisdiction, file a revised return within one hundred and twenty days of the filing of return under sub-section (1) or, as the case may be, sub-section (2), to correct any omission or wrong declaration made therein.</p>	<p><i>Through the proposed amendment, now special return u/s. 27 can also be revised.</i></p>
30	<p><b>Appointment of Authorities</b></p>	<p><i>It has been proposed to include Inspector Inland Revenue in the list of authorities.</i></p>
38B	<p><b>Obligation to produce documents and provide information</b></p>	<p><i>Through proposed amendment, Assistant Commissioner Inland Revenue has also been empowered to have jurisdiction under this Section.</i></p>

<p>47A (4A)</p>	<p><b>Alternative dispute resolution</b></p> <p>Notwithstanding anything contained in sub-section (4) or under sub-section (4A) the Chairman may on the application of an aggrieved person, for reasons to be recorded in writing, and on being satisfied that there is an error in order or decision may pass such order may be deemed just and equitable.</p>	<p><i>It has been proposed that in addition to Chairman, now Member may also exercise the power. The amended sub-clause reads as under:</i></p> <p>Notwithstanding anything contained in sub-section (4), the Chairman FBR and a Member nominated by him may, on the application of an aggrieved person, for reasons to be recorded in writing, and on being satisfied that there is an error in order or decision, pass such order as may be deemed just and equitable.</p>
<p>66</p>	<p><b>Refund to be claimed within one year</b></p>	<p><i>The new provision is proposed to be added.</i></p> <p>Provided also that no refund shall be admissible under this section if incidence of tax has been passed directly or indirectly to the consumer.</p> <p><i>In our opinion, Section 3B of the Sales Tax Act, 1990, already catering such situation.</i></p>

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74	<p><b>Condonation of time-limit.—</b></p>	<p><i>An explanation is proposed to be added as under:</i></p> <p><b>Explanation.-</b> For the purpose of this section, the expression “any act or thing is to be done” includes any act or thing to be done by the registered person or by the authorities specified in section 30 of this Act.”; and</p> <p><i>This is very important proposed amendment which gives power for condonation of time barred action of Officer Inland Revenue.</i></p>
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# THE SIXTH SCHEDULE (EXEMPTION):

*The exemption from sales tax on the following items has been proposed to withdraw, effective from June 4, 2011.*

**TABLE 1:**

29A	Surgical tapes	30.05
29B	Ultrasound gel	3006.7000
30	Diapers for adults (patients)	4818.4010
34	Bricks.	6901.0000
35	Building blocks of cement including ready mix concrete blocks	6810.1100
41	Computer software	8523.2990, 8523.4010, 8523.4090, 8523.5990 and 8523.8090
42	Ambulances, fire fighting vehicles, waste disposal trucks, brake down lorries, special purposes vehicles for the maintenance of streetlights and overhead cables	87.02, 87.03, 8704.2200, 8704.2300, 8705.3000 and 8705.9000
43	Aircrafts	8802.2000, 8802.3000 and 8802.4000
44	Ships of gross tonnage exceeding 15 LDTs, excluding those for recreational or pleasure purpose	8901.2000, 8901.3000 and 8901.9000
62	Defence stores, whether manufactured locally or imported by the Federal Government against foreign exchange allocation for defence, including trucks, trailers and vehicles falling under PCT heading 87.04 of the First Schedule to the Customs Act, 1969 (IV of 1969), specially modified for mounting defence equipments, their parts and accessories for supply to Armed Forces	Respective headings.
64	Spare parts and equipment for aircraft and ships covered by serial number 43 and 44 above	Respective headings.

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65	Equipment and Machinery for pilotage, salvage or towage for use in ports or airports.	Respective headings.
66	Equipment and Machinery for air navigation.	Respective headings.
67	Equipment and machinery used for services provided for handling of ships or aircrafts in a customs port or Customs airport.	Respective headings.
68	Such plant and machinery as is notified by the Federal Government in the official Gazette but if imported, these shall be entitled to exemption from sales tax on importation if these are not manufactured in Pakistan.	Respective headings.
69	Tractors, bulldozers and combined harvesters; and components (which include sub-components, components, sub-assemblies and assemblies but exclude consumables) imported in any kit form and direct materials or assembly or manufacture thereof, subject to the same conditions as are envisaged for the purposes of exemption under the Customs Act, 1969 (IV of 1969).	Respective headings.
70	Import and supply of fully dedicated CNG Euro-2 buses whether in CBU or CKD condition.	8702.9010 and 8702.9090

**TABLE 2:**

5	Supply of other such agricultural implements as may be specified in a notification to be issued by the Federal Government in the official Gazette.	Respective headings.
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## NOTIFICATIONS

The following SROs have been notified dated: June 4, 2011.

<b><i>SRO</i></b>	<b><i>Brief</i></b>
480(I)/2011	Through this SRO, Sales tax charged @ 8% on local supplies on sugar has been withdrawn.
481(I)/2011	Through this SRO, exemption on CNG kits, commercial catalogues, rock phosphate, phosphoric acid, mineral oil, stand omitted. The following items have been inserted in SRO 369(I)/2011 and declared exempt: white crystalline sugar, reclaimed lead if supplied to recognized manufacturers of lead batteries.
482(I)/2011	Through this SRO, Rule 58B has been proposed to amend whereby payment of sales tax on account of minimum value addition has been enhanced from 2% to 3% in case of commercial importer.
483(I)/2011	Exemption through SRO 880(I)/2007, dated: 01.09.2007, in Serial No. 50, word “calibrated” and in Serial No. 59 “or Ec-lia” proposed to insert.
485(I)/2011	Through this SRO, the SRO 1161(I)/2007, dated: 30.11.2007, has been rescinded, whereby import of zero per cent rate of sales tax of raw material for manufacturer of diapers now stands withdrawn.
486(I)/2011	SRO 549(I)/2008, dated: 11.06.2008, has been amended whereby facility of zero rated sales tax on CNG buses, trucks and dumpers, trailers, and semi-trailers and road tractors stand withdrawn.
486(I)/2011	Through this SRO, the ADRC should submit its report within 90 days of its appointment instead of 60 days.