

SALIENT FEATURES

SALES TAX & FEDERAL EXCISE

BUDGETARY MEASURES (FY 2014-15)

The budgetary measures pertaining to Sales Tax & Federal Excise are primarily aimed at:

1. Rationalization of sales tax on steel sector, ship breakers and steel melters operating in the sugar mills
Enforced through amendment in the Sales Tax Special Procedure Rules, 2007, effective from 01.07.2014.
2. Registration of retailers on two tier system basis whereby (i) retailers part of national and international chains, located in air-conditioned malls having debit and credit machines; (ii) chargeability of the sales tax @ 5% in case of monthly electricity bill upto Rs. 20,000 and @ 7.5% of the monthly electricity bill exceeding Rs. 20,000
Enforced through amendment in the Sales Tax Special Procedure Rules, 2007, effective from 01.07.2014.
3. Restricting undue claims of input tax. Input tax adjustment is proposed to be restricted only to the extent of goods and services actually used in manufacturing/sales of the taxable activity
Enforced through Finance Bill, 2014, effective from 01.07.2014.

4. Electronic scrutiny and intimations system is to be introduced. It will conduct all checks and analysis objectively and will issue electronic intimations to the taxpayers
Enforced through Finance Bill, 2014, effective from 01.07.2014.
5. Replacement of capacity tax on aerated waters. The capacity regime has led to excessive litigation and the Lahore High Court has passed order against the scheme. Therefore, the existing scheme shall be reverted to the normal tax regime.
Enforced through rescission of the Federal Excise Duty and Sales Tax on Production Capacity (Aerated Waters) Rules, 2013, effective from 01.07.2014.
6. The rates of Federal Excise Duty on cigarettes are proposed to be enhanced.
Enforced through Finance Bill, 2014, effective from 01.07.2014.
7. Federal Excise Duty on the cement sector is being replaced from specific basis (Rs. 400 per MT) to 5% on retail price.
Enforced through Finance Bill, 2014, effective from 01.07.2014.
8. Federal Excise Duty on international travel is being enhanced.
Enforced through Finance Bill, 2014, effective from 01.07.2014.
9. Federal Excise Duty on chartered flights is being proposed to be levied at the standard rate on full amount charged
Enforced through Finance Bill, 2014, effective from 01.07.2014.
10. Further tax charged @ 1% on supplies made to unregistered persons is being specifically excluded from the purview of output tax.
Enforced through Finance Bill, 2014, effective from 01.07.2014.

11. Transposition of SRO 575(I)/2006 to schedules with certain changes. In accordance with the policy of reviewing SROs, it is proposed to charge following seven sectors i.e. Sr. No. 2, 3, 4, 9, 15, 20 and 30 of SRO at reduced rate of 5% sales tax. The concessions for the socially sensitive sectors shall be retained. However, the concessions against S. No. 8, 16, 17, 24, 25, 32, 33, 37 and 38 shall be withdrawn. Enforced through Finance Bill, 2014, and rescission of the notification, effective from 01.07.2014.
12. Transposition of SRO 727(I)/2011 to Schedule with 5% rate of sales tax. This notification grants exemption on import and supply of plant and machinery not manufactured locally subject to certain conditions. It is proposed to charge sales tax at reduced rate of 5% on such plant and machinery, subject to the same conditions, by transferring the notification to the relevant Schedule of the Sales Tax Act, 1990. Enforced through Finance Bill, 2014, and rescission of the notification, effective from 01.07.2014.
13. Transposition of SRO 549(I)/2008, dated 11.06.2008 to Fifth Schedule. This notification grants zero-rating on certain goods, including petroleum crude oil, certain raw materials for export oriented sectors, etc. Since this zero-rating is considered essential, while the notification is required to be deleted, it is proposed to transfer the items in the notification to the Fifth Schedule of the Sales Tax Act, 1990. Enforced through Finance Bill, 2014, and rescission of the notification, effective from 01.07.2014.
14. Transposition of SRO 551(I)/2008, dated 11.06.2008 to Schedules with certain changes. This notification grants exemption to a number of goods such as raw material for pharmaceutical industry, iodized

salt, medical equipment, components of energy saver lamps, renewable energy items, raw cotton and oil seeds for sowing etc. It is proposed to continue the exemption on certain items i.e. at S. No. 3, 4, 5, 7, 11, 13, 14, 16 and 29 of this SRO by transferring them to the Sixth Schedule of the Sales Tax Act, 1990. Re-meltable scrap (S. No. 31) is proposed to be deleted while oilseed for sowing, and raw and ginned cotton (S. No. 10 and 33) are proposed to be charged to reduced rate of sales tax @ 5% by transferring them to the relevant Schedule of the Sales Tax Act, 1990. However, local supply of raw and ginned cotton shall remain exempt by transferring to the Sixth Schedule.

Enforced through Finance Bill, 2014, and rescission of the notification, effective from 01.07.2014.

15. Transposition of SRO 501(I)/2013, dated 12.06.2013 to Schedules with certain changes. This notification grants exemption to certain goods. It is proposed to charge sales tax at reduced rate of 5% on soyabean meal, oil cake and directly reduced iron (S. No. 15, 16 and 21) by transferring them to the relevant Schedule of the Sales Tax Act, 1990. Purpose built taxis (S. No. 25) is proposed to be deleted, being redundant. Exemption on socially sensitive goods, such as wheelchairs and energy saver lamps, is proposed to be retained by transferring them to the Sixth Schedule to the Sales Tax Act, 1990.

Enforced through Finance Bill, 2014, and rescission of the notification, effective from 01.07.2014.

16. Rescission of SRO 69(I)/2006, dated 28.01.2006. This notification grants reduced rate of sales tax 14% to rapeseed, sunflower seed and canola seed. It is proposed to rescind the said notification, thereby charging standard rate of sales tax (17%) on these seeds.

Enforced through rescission of the notification, effective from 01.07.2014

17. Transposition of zero-rating facility for dairy and stationery industry and input materials of these industries. The facility of zero-rating has already been provided under SRO 670(I)/2013, dated 18.07.2013. The facility is retained and the same is proposed to be incorporated in the Fifth Schedule.

Enforced through Finance Bill, 2014, and rescission of the notification, effective from 01.07.2014.

18. SRO 1125(I)/2011 is being revisited and it is proposed to amend the said SRO to provide for charging of sales tax at the standard rate of 17% on the import of finished articles of leather and textile.

Enforced through amendment in the notification, effective from 01.07.2014.

19. Withdrawal of FED @ 10% on motor vehicles exceeding 1800cc. FED @ 10% was imposed on motor cars, Sports Utility Vehicles (SUVs) and other motor cars exceeding 1800cc through Finance Act, 2013. Increase in the prices have adversely affected sales resulting in decline in revenue besides hurting the local industry. Therefore, it is proposed to withdraw FED on locally manufactured motor vehicles exceeding 1800cc.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

20. It is being proposed to grant exemption to high efficiency irrigation equipment and greenhouse farming equipment in order to promote agriculture.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

21. Reduction in rate of sales tax on local supply of tractors is being proposed in order to promote farm mechanization.

Enforced through amendment in the notification, effective from 01.07.2014.

22. Exemption from sales tax to import and supply of “Cochlear Implants System” (Hearing Aids) is being introduced to facilitate the handicapped.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

23. Reduction in rate of Federal Excise Duty on Telecommunication Services is being proposed in view of increase in the scope of telecommunication services with the advent of 3G and 4G technologies.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

24. Exemption on import of plant, machinery and equipment for Gilgit-Baltistan, Balochistan Province and Malakand Division and FATA is being proposed to promote industrialization, job creation and economic uplift of the less developed regions.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

25. Amendment in clause (d) of section 4 of the Sales Tax Act, 1990 is being proposed to give effect to the current scheme of law and to suitably align it with the existing scheme.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

26. Specific rates of sales tax on mobile phones is being introduced to protect the revenue and strengthen the legal support for charging of sales tax.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

27. An explanation is being inserted in section 40B for its independent operation vis-à-vis provisions of section 40 whereunder search warrants are required from the Magistrate.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

28. Through Amendment Ordinance, 2014, sub-section (8) of section 3 and section 3B of the Sales Tax Act, 1990 were substituted. It is being proposed to get approval of the Parliament to the changes made through the President Ordinance.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

29. Uniform treatment of crude palm oil is being proposed so that exemption of sales tax and charging Federal Excise Duty is being done as in case of other edible oils.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

30. Provision for specifying zones for the purpose of charging sales tax and Federal Excise Duty on the basis of prices in respective zones.

Enforced through Finance Bill, 2014, effective from 01.07.2014.

31. Exclusion of Federal Excise Duty on Telecommunication Services subject to Provincial Sales Tax is being proposed.

Enforced through Finance Bill, 2014, effective from 01.07.2014.