

Imported items, Collectors told to apply retail price taxation

ISLAMABAD: The Federal Board of Revenue (FBR) Wednesday directed the Collectors of Customs to apply retail price taxation on imported goods and ensure that the declared retail prices are duly printed and sales tax is charged on the basis of such declared retail price on imported items.

According to the FBR's budget instructions (2019-20) issued to the field formations here on Wednesday, the locally manufactured goods specified in Third Schedule are already chargeable to sales tax on the basis of retail price. Now, through amendment in section 3(2)(a), retail price taxation has also been made applicable to imported goods. The importers are required to print the retail price in the manner prescribed in the aforesaid clause and such goods shall be assessed on the basis of declared retail price and not on the basis of customs value under section 25 of the Customs Act, 1969. All MCCs are requested to ensure that the declared retail prices are duly printed in the prescribed manner and that the sales tax is charged on the basis of such declared retail price.

The FBR said that the section 23, relating to issuance of invoices and particulars to be specified therein, has been amended to provide that in case of supplies to un-registered persons, their NIC or NTN number shall be specified in invoice.

The caveats, provided therein, are as under:

The NIC or NTN shall not be required in case of supplies made by a retailer where the transaction value inclusive of sales tax amount does not exceed Rs 50,000 and the sale is being made to an ordinary consumer buying goods for his own consumption and not for the purpose of resale or processing.

If it is subsequently proved that NIC provided by the purchaser was not correct, liability of tax or penalty shall not arise against the seller, in case of sale made in good faith; and the condition of providing NIC or NTN shall be effective from 1st August, 2019.

The FBR has further directed field formations that the rate of the Federal Excise Duty (FED) on ghee and cooking/edible oils has been enhanced to 17 percent and FED shall be payable on the basis of retail price on products sold in retail packing.

The FED on ghee and edible oils was payable at 16 percent in sales tax mode. However, payment of Rs 1/kg on input oils spared the manufacturers of any further payment against value addition. In case of input seeds, payment of Rs 40 per kg discharged the manufacturer's liability on value addition. In case of solvent extraction units, need to apportion input taxes was also done away with. This regime has been abolished. SRO 24(I)/2006 dated 07.01.2006, SRO 507(I)/2013 dated 12.06.2013, SRO 508(I)/2013 dated 12.06.2013, and SRO 68(I)/2006 dated 28.01.2006 have been rescinded. FED of Rs 0.40 per kg of oilseeds, as at Serial number 54 of First Schedule has also been withdrawn by omitting this serial.

Other salient features of the change are: The rate of FED on ghee and cooking/edible oils has been enhanced to 17 percent. In case of products in retail packing FED shall be payable on the basis of retail price. The refund on export of these items, as made on or after 1st July, 2019, shall be paid on the basis of actual excess of input tax under the Sales Tax Rules, 2006 and not the basis of fixed rate notification, FBR added.

The FBR further directed the formations that the provisions relating to 3 percent value addition tax on imported goods have been transposed from the special procedure rules to the newly inserted Twelfth Schedule and necessary enabling amendments have been made to sub-section (2) of section 7A.

Earlier exclusions from 3 percent tax have been maintained with following differences:

(i) Earlier manufacturers importing goods for in-house consumption were excluded from this levy. Now, all raw materials and intermediary goods meant for use in an Industrial process which are subject to customs duty at a rate less than 16 percent ad valorem under First Schedule to the Customs Act have been excluded, whether imported by manufacturers or commercial importers.

(ii) Earlier only those petroleum products, imported by OMCs, were excluded whose prices were regulated. Now, all petroleum products imported by OMCs excluded.

(iii) Cellular mobile phones or satellite phones have been added to exclusions:

(iv) In view of withdrawal of exemption on gold and silver, in unworked condition, the exclusion from 3 percent tax has been provided to these items.

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