

**Imported goods: FBR to collect 3 percent minimum value addition ST from July 1**

The Federal Board of Revenue (FBR) will collect 3 percent minimum value addition sales tax on all sorts of imported goods, from July 1, 2019, including raw materials and intermediary goods meant for use in an industrial process, which are subject to customs duty except duty slabs of 16 or 20 percent.

Under the Finance Bill 2019 presented before the National Assembly, a tax expert explained that the Twelfth Schedule has been included in the Sales Tax Act through Finance Bill 2019. An FBR official said that the FBR excluded certain provision of law from special procedures and made it part of the sales tax law. This proposed change, did not have any revenue impact because there is no increase in tax. The FBR has not imposed any new tax as the relevant special procedure rule pertaining to the minimum value addition tax has been made part of the Sales Tax Act. The minimum value addition tax is already applicable under the rules and no new tax has been imposed at the import stage, he added.

A tax expert said that the rule 58 (payment of sales tax on account of minimum value addition) of the sales tax special rules 2007 does not specify that: "The value addition tax shall not be charged on the raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at 16% or 20% ad valorem under First Schedule to the Customs Act, 1969". This means that other customs slabs would now be subjected to the 3 percent minimum value addition sales tax, expert added.

Tax expert added that the exclusions from 3 percent minimum value addition tax as applicable under sales tax special rules 2007 has now been narrowed down under the Finance Bill 2019. The section 7A of the Sales Tax Act has been amended through the Finance Bill 2019. The amended section said: Notwithstanding anything contained in this Act or the rules made thereunder, in respect of the goods or class of goods specified in the Twelfth Schedule, the minimum value addition tax, against the value added by the registered person, shall be payable, at the rate and by the registered persons or class of registered persons, specified therein, subject to the conditions, limitations, restrictions and procedure specified therein, it added.

As per Twelfth Schedule of the Sales Tax Act, the sales tax on account of minimum value addition as payable under this Schedule (hereinafter referred to as value addition tax), shall be levied and collected at import stage on all taxable goods as are chargeable to tax under section 3 of the Act or any notification issued thereunder at the rate specified in addition to the tax

chargeable under section 3 of the Sales Tax Act or a notification issued thereunder:

The value addition tax under this Schedule shall not be charged on the raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at 16% or 20% ad valorem under First Schedule to the Customs Act, 1969 and the petroleum products falling in Chapter 27 of Pakistan Customs Tariff as imported by a licensed Oil Marketing Company for sale in the country; registered service providers importing goods for their in-house business use

for furtherance of their taxable activity and not intended for further supply; and cellular mobile phones or satellite phones, Finance Bill 2019 said.

Twelfth Schedule further said that the value addition tax paid at import stage shall form part of input tax, and the importer shall deduct the same from the output tax due for the tax period, subject to limitations and restrictions under the Sales Tax Act, for determining his net liability. The excess of input tax over output tax shall be carried forwarded to the next tax period as provided in section 10 of the Sales Tax Act.

In no case, the refund of excess input tax over output tax, which is attributable to tax paid at import stage, shall be refunded to a registered person. The registered person, if also dealing in goods other than imported goods, shall be entitled to file refund claim of excess carried forward input tax for a period as provided in section 10 or in a notification issued there under by the Board after deducting the amount attributable to the tax paid at import stage ie. sum of amounts paid during the claim period and brought forward to claim period. Such deducted amount may be carried forward to subsequent tax period."

The FBR has also proposed disallowing invoices which do not have Computerized National Identity Cards (CNIC) details through Finance Bill 2019-20. The Finance Bill 2019-20 proposes that the invoices should bear CNIC of the buyer. The bill also proposes to disallow the invoices which do not bear the CNIC of the buyer claiming input tax paid. This will help to eradicate the fraudulent use of fake and flying invoices as only the genuine buyer of the goods will be able to claim the input tax paid. The bill also proposes that the particulars in the invoice may be in English or Urdu. Currently there is no restriction of language for invoice.

## RECORDER REPORT