

FBR issues instructions for measures introduced in Finance Supplementary Act

ISLAMABAD: The Federal Board of Revenue (FBR) on Wednesday notified the details related to the measures introduced in the Sales Tax Act, 1990 and Federal Excise Act, 2005 through the Finance Supplementary (Second Amendment) Act, 2019.

The government, in order to liquidate huge amounts of sales tax refunds which have accumulated over a long period of time, has decided to issue bonds with a maturity period of three years, the circular explained. The bonds will entail a simple profit at 10 per cent per annum and the instrument will be traded in the security market.

Moreover, a new section 67A has also been inserted in the Sales Tax Act, 1990 to include enabling provisions for the payment of refunds and to provide regulatory mechanism for issuance, transfer, redemption and other related matters.

In order to discourage imports of vehicles, the duty on the imported vehicles of 1800cc to 3000cc has been enhanced to 25pc by amending the First Schedule of the Federal Excise Duty (FED) Act, 2005 whereas the rates on imported motor cars, sports-utility vehicles (SUVs) and other vehicles of 3000cc or above cylinder capacity, barring vehicles as designed for the transport of 10 or more persons, has been enhanced to 30pc ad valorem.

On the other hand, FED on locally manufactured cars and SUVs with engine capacity of and above 1700cc has been set at 10pc.

The FBR notice highlights that the guarantee for exemption on plant, machinery and equipment required for power generation from renewable sources of energy has been extended to June 30, 2023.

Sales tax exemption on plant and machinery is available to specific sectors whereas other sectors have to pay sales tax on import of plant and machinery which is adjustable against future output tax. The adjustments usually take place after a long period of time causing unnecessary delays which serve as an impediment to investment by pushing up initial costs.

Therefore, in order to encourage greenfield investment and industrialisation, exemption from payment of sales tax on imported plant and machinery to be used for setting up new industry for production of taxable goods has been introduced by amending the Sixth schedule to the Sales Tax Act, 1990 as imported by the persons registered on or after July 1.

The FBR has also notified the exemptions on items relating to ostomy procedures for treatment of cancer patients.

The Newspaper's Staff Reporter