

FBR reviewing entire sales tax special regime

The Federal Board of Revenue (FBR) is reviewing the entire sales tax special regime and sectors subjected to fixed sales tax rates and special tax procedures including commercial importers, edible oil, jewelers and wholesalers-cum-retailers, oil marketing companies (OMCs), chains of wholesale-cum-retail outlets, sectors availing zero-rating facility, cotton ginning/ expelling units and collection and payment of sales tax on natural gas including Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG), steel melting units, steel re-rolling units and ship breakers. Sources said that the ongoing budget exercise for 2019-20 is reviewing sectors/industries subjected to the sales tax special rates and procedures. Different sectors are operating under sales tax special procedure and fixed sales tax regime.

Under Federal Excise Act, special tax treatment has been specified for the ghee and cooking oil industry for payment of duty on edible oil and vegetable ghee and cooking oil as prescribed by the FBR.

The FBR is analyzing sectors which are presently subjected to special tax procedures, fixed sales tax regime or lower tax rates. In case of certain sectors, special sales tax payment procedures have been prescribed.

The FBR is also examining whether any of the sectors operating under the sales tax special rules can be brought into the normal sales tax payment procedure from 2019-20?, sources added.

A tax expert informed that the extra sales tax regime at the rate of 2 percent is applicable on 11 products. These 11 items are subjected to payment of 17 standard rate of sales tax and 2 percent extra tax in lieu of valuation addition and subsequent supply chain is exempted from sales tax. If the government consider to amend the procedure, it may withdraw this exemption on subsequent supply chain. In case of commercial importers, they are paying standard rate of 17 percent sales tax and 3 percent value addition tax at customs stage. If the government revises sales tax procedure for commercial importers, there is a possibility that the either government may opt to increase value addition tax or convert it into minimum tax, tax expert said.

Tax expert opined that the FBR may amend procedure of sales tax payment for those sectors in the Sales Tax Special Procedure Rules where revenue impact is high or involving revenue implications, tax expert said.

Sources said that on the income tax side the budget makers are reviewing Fixed tax regime applicable on different sectors like commercial importers, transportation, supplies, exports, rental income and other sectors and areas where tax payment is made as final discharge of tax liability.

However, budget makers have yet not made any final decision in this regard.

Under the existing sales tax rules, the special sales tax procedure is applicable to all persons who make supplies from retail outlets to end consumers, including jewellers and wholesalers-cum-

retailers, whether registered or not, who shall be deemed to be retailers in respect of such supplies and also to persons making supplies of electric power to retailers.

The Sales Tax Special Procedures Rules are also applicable to collection and payment of sales tax on electric power imported, generated, produced, transmitted and supplied by electricity generation, transmission and distribution companies licensed under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, including their distributors, dealers and agents, or by any other person dealing in importation, generation, production, transmission, distribution and supply of electric power.

The special sales tax procedure is applicable to collection and payment of Sales Tax on Natural Gas including Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG) imported, produced, transmitted and supplied by gas well-head companies and gas transmission and distribution companies licensed under the Natural Gas Rules, 1960, including their distributors, dealers, sales agents, retailers or by any other person hereinafter called the "person" for the purposes of this Chapter and dealing in importation, production or distribution and supply of Natural Gas including Compressed Natural Gas and Liquefied Petroleum Gas. In case of supply of natural gas by a gas transmission and distribution company, the person responsible to charge, collect and deposit sales tax shall be the gas transmission and distribution company and the value for the purpose of tax shall be the total amount billed including price of natural gas, charges excluding the amount of late payment surcharge, rents, commissions and all duties and taxes, local, Provincial and Federal, but excluding the amount of sales tax as provided in clause (46) of section 2 of the Sales Tax Act.

The Sales Tax Special Procedures Rules are also applicable to supplies of electric power and natural gas consumed by persons having industrial or commercial connections. Every person supplying electric power or natural gas, shall charge and collect extra tax at the rate notified by the Federal Government, from every consumer having an industrial or commercial connection, where the bill for a month is in excess of Rs 15,000, and the consumer either has not provided his sales tax registration number to the supplier or his name is not shown as active on the Active Taxpayers List (ATL) maintained by the Federal Board of Revenue.

The Sales Tax Special Procedures Rules are also applicable on supply of sugar by the registered manufacturers of sugar to the Trading Corporation of Pakistan (TCP) for further supply or export thereof.

The Sales Tax Special Procedures Rules are also applicable to supply of sugar by the registered manufacturers of sugar to the TCP for further supply or export thereof. The Sales Tax Special Procedures Rules is also applicable to collection and payment of sales tax by the persons providing or rendering services chargeable to sales tax under the respective Provincial laws.

The Sales Tax Special Procedures Rules are also applicable to collection and payment of sales tax from the oil marketing companies (OMCs) against sharing of taxable petroleum products.

The special rules are also applicable to imports of all taxable goods as are chargeable to tax. The sales tax on account of minimum value addition shall be levied and collected at import stage on goods as specified aforesaid at the rate of three per cent of the value of goods in addition to the tax chargeable under section 3 of the Sales Tax Act or a notification issued thereunder.

The Sales Tax Special Procedures Rules are also applicable to steel melting units, steel re-rolling units, composite units of melting and re-rolling and composite units having complete facility of

melting, re-rolling and MS cold drawing, whether operating on electric power, natural gas or any other source of energy and regardless of the type of electricity connection; importers of re-meltable iron and steel scrap falling under different PCT Headings and of waste and scrap of compressor falling under PCT heading 7204.4940; local suppliers of re-meltable iron and steel scrap; supplies of electric power and natural gas to the units; furnaces or steel mills operated by sugar mills or other persons using self-generated electricity from bagasse or other means and ship breakers.

Adjustable sales tax at the rate of Rs. 5,600 per metric ton shall be levied and collected on import of re-meltable iron and steel scrap falling under PCT headings 7204.3000, 7204.4100 and 7204.4990, whereas non-adjustable sales tax Rs. 5,600/- per metric ton shall be levied and collected on import of waste and scrap of compressors falling under PCT heading 7204.4940:

Provided that further local supplies of such imported waste and scrap of compressor shall not be subject to sales tax.

Local supplies of re-meltable iron and steel scrap shall be charged to sales tax at the rate of Rs 5,600 per metric ton. The steel melters may obtain adjustment of the sales tax paid on imported remeltable iron and steel scrap, against the sales tax payable through their electricity bills, in the manner prescribed by the Board through a general order.

Sugar mills or any other persons operating steel melting or steel re-rolling mills using self-generated electricity produced from bagasse or other means shall pay sales tax on the steel products manufactured by them at the rate specified in sub-section (1) of section 3 of the Act, and shall observe all the applicable provisions of the Sales Tax Act.

The Sales Tax Special Procedures Rules are also applicable on steel melters and re-rollers operating on self-generation basis.

The Sales Tax Special Procedures Rules are also applicable to such chains of wholesale-cum-retail outlets, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of consumers and who maintain.

In case the supplies are made by the wholesaler-cum-retailers to diplomats and diplomatic missions, the same shall be charged to sales tax at zero rate provided an exemption certificate issued by Ministry of Foreign Affairs is provided mentioning the description and quantity of goods to be purchased in their records electronically. In case the supplies to a diplomat or diplomatic mission have been charged to sales tax at a rate other than zero, the wholesaler-cum-retailer may refund the amount charged after preparation of a credit note mentioning the particulars of the invoice and the exemption certificate.

The Sales Tax Special Procedures Rules are also applicable to supplies of the goods specified and subjected to extra sales tax including household electrical goods, including air-conditioners, refrigerators deep freezers, televisions, recorders and players, electric bulbs, tube-lights, fans, electric irons, washing machines and telephone sets; household gas appliances, including cooking range, ovens, geysers and gas heaters; foam and spring mattresses and other foam products for household use; auto-parts and accessories; lubricating oils, brake fluids, transmission fluid, and other vehicular fluids and maintenance products; tyres and tubes; storage batteries; arms and Ammunitions; paints, distempers, enamels, pigments, colours, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing; tiles; biscuits, confectionery, chocolates, toffees and candies.

Extra amount of sales tax at the rate of 2% of value of supplies shall be levied and collected on the supplies of all specified goods by manufacturers and importers in addition to the tax payable under sub-sections (1) and (2) of section 3 of the Act, as the case may be.

The provisions of Sales Tax Special Procedures Rules are also applicable to manufacturers of goods specified against S. No. 13 of the Fifth Schedule of the sales Tax Act.

Under the sales tax special procedure rules, the zero-rating of goods specified against S. No. 13 of the Fifth Schedule to the Sales Tax Act shall be subject to determination of input-output ratios of the manufacturer by the Input-Output Co-efficient Organization (IOCO), if not already determined under an earlier concessionary notification issued for such goods. For zero-rating of the import and local procurement of raw materials, packing materials, subcomponents, components, sub-assemblies and assemblies required for the manufacture of goods specified against S. No. 13 of the Fifth Schedule to the Act, the specified conditions and procedures shall be observed. The Sales Tax Special Procedures Rules are also applicable on persons engaged in supply cottonseed as well as composite units of cotton ginning and expelling of oil from cottonseed. The sales tax payable on supply of cottonseed oil shall be collected at the time of supply of cottonseed on the basis of quantity of cottonseed supplied], or consumed in-house for expelling of oil by composite cotton ginning units.

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