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Finance Act 2019, Special tax treatment to many sectors done away with

ISLAMABAD: The government through Finance Act 2019 has abolished special sales tax treatment, special procedures, fixed sales tax regime and extra tax payment system applicable on different sectors/industries.

In budget (2019-20), the Federal Board of Revenue (FBR) has rescinded SRO.480 and taken away Sales Tax Special Procedure Rules 2007. These rules had given special tax treatment to many sectors including retail, steel sector, ship breakers, marble industry, commercial importers and other sectors.

FBR also withdrew special treatment given in the form of sales tax zero-rating facility on electricity and gas consumed by five leading export oriented-sectors. Now these units are required to pay monthly sales tax on electricity/gas consumed by them.

When asked about special tax treatment to Special Economic Zones (SEZs), sources said that tax incentives including tax holiday for 10 years to all units which will commence commercial production by June 30, 2020 in SEZs will remain valid which entail onetime exemption from customs duties and taxes on import of plant and machinery.

The Economic Coordination Committee (ECC) of the Cabinet in its meeting on 28 August 2019, approved a proposal regarding necessary amendments & exemptions in Income Tax Ordinance, Sales Tax Act and Customs Act for the Gwadar Port and Gwadar Free Zone and asked the Law Division to suggest a way forward for their implementation in consultation with the Commerce Division, Planning Division, Maritime Division, FBR and Board of Investment. This has yet to be notified.

The FBR sources explained to Business Recorder that the special regime of Extra Sales Tax was abolished in 2019-20 budget. Eleven items were subject to payment of extra sales tax and out of these eleven items, finished articles of foam, mattress, paints, electric and gas appliances, lubricating oils and storage batteries were transferred to Third Schedule (Printed Retail Price) of the Sales Tax Act 1990 and now these products are subject to payment of sales tax on the basis of printed retail price.

The special taxation regime of steel sector was also abolished effective in the current fiscal year.

Sources said that sales tax at the rate Rs 1/kg and Rs 0.40 per kg was applicable on edible oils/ghee/cooking oil, which was replaced with 17 percent Federal Excise Duty. The reduced rate of 8 percent sales tax on sugar was enhanced to 17 percent.

The FBR has revamped the retail sales tax regime.

Previously, sales tax was payable by marble industry under special procedure whereby sales tax was charged at Rs 1.25 per unit of electricity consumed. The special procedure was done away with and 17 percent sales tax was imposed on marble industry.