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ST regime: FBR examining proposals to bring about changes

The Federal Board of Revenue (FBR) is examining different proposals to bring legal and technical changes in the sales tax regime to generate additional revenue in remaining period of 2019-20.

Sources said that one of the possibilities is to expand the scope of the Third Schedule (retail price items) of the Sales Tax Act 1990. The third schedule items are chargeable to sales tax on retail price basis. This will help the tax machinery to collect sales tax at retail price stage.

At present, over 30 items are subjected to retail price taxation. The FBR in budget 2019-20 had extended scope of retail price on imported items. These imported items are required to declare retail price or get their goods clear on 30% value addition as retail price. Since sales tax in advance on retail price is already been collected there was no rationale to charge minimum value addition sales tax in terms of 12th schedule of the sales tax act 1990. The same was therefore excluded through this notification to rationalize the law.

The government may include more items in the Third Schedule (retail price items) of the Sales Tax Act 1990.

It is learnt that any move to raise standard rate of Sales Tax from 17 to 18 percent would have serious inflationary impact, but would increase sales tax collection in the remaining period of current fiscal year. However, no official confirmed that the said proposal is under consideration or would be part of the mini-budget in February2019.

According to a tax expert, if the government considers to increase standard rate of Sales Tax from 17 to 18 percent, the annual revenue impact may be over Rs 100 billion.

However, the FBR is also examining whether the sales tax on petroleum products be further increased beyond the standard rate of 17 percent sales tax to generate additional revenue in remaining period of 2019-20.

At the same time, the government is planning to reduce regulatory duties and additional customs duty on many items at the import stage, they added.