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Items subjected to lower tax rates, 17pc GST may be levied to raise Rs200bn

ISLAMABAD: The Federal Board of Revenue (FBR) may impose a standard rate of 17 percent sales tax on certain items subjected to lower rates of sales tax (5, 7.5 and 10 percent) and withdraw some existing sales tax exemptions to generate additional revenue of Rs200 billion in the remaining period of 2019-20.

Sources told Business Recorder Wednesday that the government was not ready to impose new taxes.

However, the FBR is reviewing Sixth Schedule (Exemption Schedule) and Eight Schedule (Conditional Exemption)) of the Sales Tax Act 1990. In this regard, an exercise has begun at the FBR.

The FBR is also examining exemption schedule for possible withdrawal of sales tax exemptions on various items at import stage.

Another proposal is to withdraw lower rates of sales tax on some items specified in the Eight Schedule (Conditional Exemption)) of the Sales Tax Act 1990.

The estimated revenue impact of such measures would be around Rs200 billion, the sources said.

Presently, lower rates of sales tax is applicable on soybean meal (10 percent); oil cake and other solid residues, whether or not ground or in the form of pellets (five percent); oilseeds meant for sowing (five percent); raw cotton and ginned cotton (10 percent at import stage); plant and machinery not manufactured locally and having no compatible local substitutes (10 percent at import stage); dairy products sold in retail packing under a brand name (10 percent sales tax); ingredients of poultry feed, cattle feed, except soybean meal and oilcake of cotton-seed (10 percent); incinerators for disposal of waste management, motorized sweepers and snow ploughs (five percent); re-importation of foreign origin goods, which were temporarily exported out of Pakistan (five percent); waste paper (five percent); plant, machinery, and equipment used in production of biodiesel (five percent); soybean seed (10 percent at import stage); secondhand and worn clothing or footwear (five percent); agricultural tractors (five percent) and tillage and seed bed preparation equipment (five percent).

Similarly, lower rates of sales tax is currently applicable on irrigation, drainage and agro-chemical application equipment (five percent); seeding or planting equipment (five percent); harvesting, threshing and storage equipment (five percent); post-harvest handling and processing and miscellaneous machinery (five percent); set top boxes for gaining access to internet (five percent); satellite dish receivers (five percent); machinery for poultry sector (seven percent); fertilizers (two percent); products of milling industry (10 percent); prepared food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and sweetmeat shops (7.5 percent);

Moreover, lower rates of sales tax is also presently applicable on supplies as made from retail outlets as are integrated with board's computerized system for real-time reporting of sales (14 percent); LNG imported for servicing CNG sector and local supplies thereof (five percent); frozen prepared or preserved sausages and similar products of poultry meat or meat offal (if sold in retail packing under a brand name or trademark) eight percent sales tax; meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish (if sold in retail packing under a brand name or trademark) eight percent; Plant, machinery, equipment and apparatus, including capital goods (five percent sales tax) after fulfillment of conditions and many other items subjected to lower rate of sales tax under Eight Schedule of the Sales Tax Act 1990.