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Our Correspondent

Bakers, sweet marts require integrating sales: FBR

KARACHI: The Federal Board of Revenue (FBR) on Monday said that bakers and sweet marts falling under the definition of big retailers were required to integrate their sales with the tax authorities.

The FBR in an explanation to Point of Sales (POS) said there was no exemption available to bakers and sweetmeat shops under Sales Tax Act 1990 and their sales would also be treated similar to retailers.

"All those establishments, whether manufacturers or not, who sell their goods to general public for consumption are retailers as provided in clause (28) of section 2 of the Sales Tax Act, 1990," the FBR said.

"Therefore, bakeries and sweetmeat shops, selling goods to general public are also retailers. Therefore, such bakeries and sweetmeat shops, whether or not manufacturers also, shall be treated as tier-1 retailer if they fall in the definition of tier-1 retailer as in clause (43A) of section 2 and they shall be accordingly required to integrate their POSs."

The FBR said tier-1 retailers have been defined in sales tax laws. However, under Tax Laws (Second Amendment) Ordinance 2019 the condition electricity bill for such retailers have been increased to Rs1.2 million in a year from Rs600,000. The FBR said that POS integration was mandatory for all tier-1 retailers irrespective of items they were dealing in.

"All tier-1 retailers whether dealing in textile and leather items or any other items are required to integrate their POS with FBR's system."

However, the FBR said that a sales tax concessionary rate of 14 percent would be applied on locally manufactured textile and leather items in case they integrated their sales with the FBR system. The FBR further explained that there was exemption from sales tax at 17 percent available to foods products falling under Sixth Schedule of Sales Tax Act 1990.

It said that retailers selling milk, rice, wheat flour, pluses, fruits and vegetables, uncooked meat, poultry, eggs, stationary items, medicine, personal computers/laptops were tax exempted if sold through POS.

The FBR said that a tier-1 retailer failing to integrate would be liable to penalty of Rs1 million, and in the event of continuing failure might face sealing of his premises and embargo on his sales. Another disadvantage of failure to integrate was that the adjustable input tax of the retailer would be reduced by 15 percent, the FBR added.

The FBR said that penalty had been introduced for tampering the online software for integrated sales. "Any person who abets or connives with the retailer in suppression of sales or non-reporting of sales may be sentenced to imprisonment for a term which may extend to one year and also to a fine up to two hundred thousand rupees," the FBR said, adding that software vendor providing for skimming in the software would also be subject to these penal provisions.