

New tax laws, Traders required to get registered, seek buyers' CNICs

ISLAMABAD: After changes in the tax laws under Finance Supplementary (Second Amendment) Act, 2019, the wholesalers-cum-traders would be required to get registered with the Sales Tax Department and seek CNICs of the unregistered buyers from February 1, 2020.

Tax experts said that small traders in the field of retail having small shop of less than 1,000 sqft have been excluded from the provision of the sales tax registration, but the category of wholesalers-cum-traders, who are engaged in the business of supplies would be required to get themselves registered with the Sales Tax Department and also enforce CNIC condition from next month.

The government through Finance Supplementary (Second Amendment) Act, 2019 has introduced special relief for small traders. The standard rate of minimum tax under section 113 of the Income Tax Ordinance, 2001 is being reduced from 1.5% to 0.5% in the case of traders having turnover up to Rs.100 million for the Tax Year 2020. However, traders having turnover up to Rs.100 million who have filed their returns for the Tax Year 2018 will be obliged to pay tax equal to or more than the tax paid for the Tax Year 2018 for the Tax Years 2019 and 2020. Moreover, a trader has been defined as an individual engaged in the buying and selling of goods in the same state including a retailer and a wholesaler; however, distributors have been ousted from the scope of this definition.

Under section 153 of the ordinance, individuals having turnover of Rs.50 million or above in any of the preceding tax years are obliged to act as withholding tax agents whilst making payments for supply of goods, rendering of services or for execution of contracts. Henceforth traders, being individuals and having turnover up to Rs.100 million shall not be required to act as a withholding agent under section 153 of the ordinance.

The rate of minimum tax under section 113 of the Ordinance for the Tax Year 2020 shall be 0.5% in the case of a trader of yarn, being an individual, irrespective of the date of registration in sales tax. Moreover, the rate of deduction of withholding tax in respect of yarn traders making sales/supplies or rendering services to the five export oriented sectors shall henceforth be 0.5%.

The definition of Tier-1 retailer has been amended in section 2(43A), whereby the Federal Board of Revenue is empowered to add any other category of retailers to Tier-1. In view of the higher tariff rates of electricity the conditions to qualify for a Tier-1 retailer have been amended so as to increase the threshold of electricity consumption from Rs 600,000 to Rs 1,200,000.

Keeping above legal position though substantial relief under the Tax Ordinance is offered to the traders. No relief from sales tax is offered except to the retailers having shops of less than 1,000 sqft and therefore no major pick up in registration drive has yet been witnessed.