**PROPOSED CHANGES IN THE SALES**

**TAX ACT, 1990**

**THROUGH FINANCE BILL 2016-17**

**Section 2** **Definitions**

* In clause (5AB), threshold of supplies of “cottage industry” is proposed to be increased from 5 million to 10 million. However, threshold of utility bills will remain the same i.e. Rs.800,000/- per annum.
* In clause (9) amendment is proposed to be made in the definition of “due date” for specifying different dates for furnishing different annexures or parts of the return, if so required.

* In clause (14) an amendment in the definition of “input tax” is proposed to exclude provincial sales tax on services from its purview. This is a very important amendment as tax paid on services will not be available against supply of goods. The corporate sector will be badly hit by this amendment as their cost of doing business will substantially increase.

**Section 6** **Time and manner of payment**

* An amendment is proposed in respect of due date of filing of return. The change is merely explanatory.

**Section 7**  **Determination of Tax Liability**

* Following proviso is proposed to be inserted in clause (i) of sub-section (2) which reads as under: -

“Provided that from the date to be notified by the Board in this respect, in addition to above, if the supplier has not declared such supply in his return or he has not paid amount of tax due as indicated in his return;”

* This amendment will give effect to the proposed sales tax return wherein cross matching of sales tax return in respect of declaration by buyer and supplier will be exhibited on pre-submission level. It will ensure that both buyer and supplier have indicated the purchase / sale in their respective proposed returns.

**Section 8** **Tax credit not allowed**

* An amendment is proposed in clause (l) of sub-section (1) to disallow input tax in respect of such supplies which have been declared by the supplier; however, due tax has not been paid. This amendment is also proposed to streamline the proposed pre-submission crossed matching of declaration of buyer and supplier.

**Section 11**  **Assessment of tax and recovery of tax not levied or short levied or erroneously refunded**

* A new sub-section (4A) is proposed to empower the officers of Inland Revenue to issue show cause notice to withholding agents for assessment of default of withholding. Proposed section reads as under:

“(4A) Where any person, required to withhold sales tax under the provisions of this Act or the rules made thereunder, fails to withhold the tax or withholds the same but fails to deposit the same in the prescribed manner, an officer of Inland Revenue shall after a notice to such person to show cause, determine the amount in default.”

**Section 13** **Exemption**

* An amendment is proposed to extant powers of Federal Government to exempt supplies relating to International Financial Institutions or Foreign Government-owned financial institutions with the approval of ECC of Cabinet.

**Section 26** **Return**

* An amendment is proposed to omit sub-section (2), being redundant.

**Section 30DDD** **Directorate General of Input Output Co-efficient Organization**

* A new section is proposed to establish Directorate General of IOCO-IR.

**Section 33** **Offences and Penalties**

* An amendment is proposed in clause (19) to broaden its scope to the contravention of rules in addition to contravention of any provisions of the Act, in cases where no specific penalty is otherwise prescribed. Penalty under this clause is higher of 3% of the amount of tax involved or Rs.5,000/-.

**Section 49** **Sales of taxable activity or transfer of ownership**

* Sub-section (2) is proposed to be replaced. Now, taxable goods, in case of sale or transfer to ownership of a taxable activity or part thereof to another registered person as an ongoing concern shall be transferred through zero-rated invoice. The proposed sub-section reads as under: -

“(2) In the case of sale or transfer of ownership of a taxable activity or part thereof to another registered person as an ongoing concern, the taxable goods or part thereof shall be transferred to the new owner through a zero-rated invoice and the sales tax chargeable thereon shall be accounted for and paid by the registered person to whom such taxable activity or part thereof is transferred.”

**Section 56B** **Disclosure of information by a public servant**

* The entire section is proposed to be substituted to give legal coverage to disclosure of information under the Freedom of Information Ordinance, 2002 and information under bi-lateral multi-agreements with foreign governments. Proposed section reads as under:

(1) Any information acquired under any provision of this Act shall be confidential and no public servant shall disclose any such information, except as provided under section 216 of the Income Tax Ordinance, 2001 (XLIX of 2001).

(2) Notwithstanding anything contained in sub-section (1) and the Freedom of Information Ordinance, 2002 (XCVI of 2002), any information received or supplied in pursuance of bilateral or multilateral agreements with government of foreign countries for exchange of information under section 56A shall be confidential.”

**PROPOSED AMENDMENTS IN THE THIRD SCHEDULE**

* A new Serial No. 37 is proposed to be inserted. ‘Mineral / bottled water’ is proposed to be charged to sales tax on the basis of retail price.

**PROPOSED AMENDMENTS IN THE FIFTH SCHEDULE**

* Zero rating on the following items is proposed to be withdrawn:

i) Colors in sets (PCT heading 3213.1000)

ii) Writing, drawing and marking inks (PCT heading 3215.9010 and 3215.9090)

(iii) Erasers (PCT heading 4016.9210 and 4016.9290)

iv) Exercise books (PCT heading 4820.2000)

v) Pencil sharpeners (PCT heading 8214.1000)

vi) Geometry boxes (PCT heading 9017.2000)

vii) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08)

viii) Pencils including color pencils (PCT heading 96.09)

ix) Milk (PCT heading 04.01)

x) Fat filled milk (PCT heading 1901.9090)

However, these items will remain exempt under the Sixth Schedule.

**PROPOSED AMENDMENTS IN THE SIXTH SCHEDULE**

**TABLE-1**

**(IMPORTS OR SUPPLIES)**

* Exemption on following new items under the mentioned serial Nos. is proposed:

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **Description** | **HS Code** |
| 100A | Materials and equipments for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gwadar International Terminal Limited, (iii) Gwadar Marin Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gawadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty year, subject to the following conditions and procedure, namely,–  **(A). Conditions and procedure for imports**.–  (i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold the Concession Agreement;  (ii) Ministry of Ports and Shipping shall certify in the prescribed manner and format as per Annex-I that the imported materials and equipments are bonafide requirement for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port. The authorized officer of that Ministry shall furnish all relevant information online to Pakistan Customs against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In already computerized Collectorate or Customs station, where the computerized system is not operational, the Project Director or any other person authorized by the Collector in this behalf shall enter the requisite information in the Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis, provided that this condition shall not apply to ship bunker oils; and  (iii) The goods so imported shall not be sold or disposed of without prior approval of the FBR and payment of sales tax leviable at the time of import, provided that this condition shall not apply to ship bunker oils.  **(B). Conditions and procedure for local supply**.–  (i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold Concession Agreement;  (ii) for claiming exemption on goods which are otherwise taxable in Pakistan, the operating companies will purchase the materials and equipments for the construction of Gawadar Port and development of Free Zone for Gawadar Port from the sales tax registered persons only;  (iii) invoice of the exempt supply, containing the particulars required under section 23 of the aforesaid Act, shall for each supply be issued by the registered person to the operating company mentioning thereon that the said invoice is being issued under this notification;  (iv) a monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating companies shall be prepared in triplicate by the registered persons making the exempt supplies and shall be signed by the authorized person of the registered person. All three copies of the said signed monthly statement shall be got verified by the registered person from the person authorized to receive the supplies in the office of operating company, confirming that supplies mentioned in the monthly statement have been duly received;  (v) after verification from the operating company, original copy of the monthly statement will be retained by the registered person, duplicate by the operating company and the triplicate provided by the registered person to the Collector of Sales Tax having jurisdiction, by twentieth day of the month following the month in which exempt supplies to the operating companies were made; and  (vi) the registered person making the exempt supplies shall keep the aforesaid record for presentation to the sales tax department as and when required to do so. | Respective Headings |
| 100B | Supplies made by the businesses to be established in the Gwadar Free Zone for a period of twenty-three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to sales tax. | Respective Headings |
| “130. | Premixes for growth stunting | Respective  Headings, and subject to conditions  imposed for importation under the Customs Act, 1969; |
| 131. | Laptop computers, notebooks whether or not incorporating multimedia kit | 8471.3010 |
| 132. | Personal computers | 8471.3020 |
| 133. | Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971(II of 1971), stabilizers, emulsifiers and solvents, namely:− | 38.03 |
|  | Xylol (xylenes) | 2707.3000 |
|  | - Beta Pinene / Agrotin 527 / Terpenic derivative | 2902.1990 |
|  | Toluene | 2902.3000 |
|  | Mixed xylene isomers | 2902.4400 |
|  | Naphthalene | 2902.9010 |
|  | Solvesso-100, 150, 200 | 2902.9090 |
|  | Ingredients for pesticides | 2903.3040 |
|  | Cadusafos Technical Material | 2903.6900 |
|  | Methanol (methyl alcohol) | 2905.1100 |
|  | Propylene glycol (propane-1, 2-diol) | 2905.3200 |
|  | - Adhesives Polyvinyl Acetate  - Polyvinyl Alcohol | 2905.4900 |
|  | Ingredients for pesticides | 2906.2910 |
|  | Other Ingredients for pesticides | 2906.2990 |
|  | - Solvenon MP / 1-Methoxy 2-Propanol  - Methyglycol Acetate | 2909.4910 |
|  | Methanal (formaldehyde) | 2912.1100 |
|  | Cyclo-hexanone and methyl- cyclo- hexanones | 2914.2200 |
|  | - yclohexanon  - Cyclohexanone Mixed petroleum ylene (1,2 & 1,3 & 1,4 dimethyl benzene and ethyle benzene) | 2914.2990 |
|  | Acetic anhydride | 2915.2400 |
|  | Ingredients for pesticides | 2916.3920 |
|  | Dioctyl orthophthalates | 2917.3200 |
|  | Ingredients for pesticides | 2918.9010 |
|  | Ingredients for pesticides | 2919.0010 |
|  | Other Ingredients for pesticides | 2919.0090 |
|  | Endosulfan Technical Material | 2920.9020 |
|  | Other Ingredients for pesticides | 2920.9090 |
|  | Diethylamine and its salts | 2921.1200 |
|  | Ingredients for pesticides | 2921.4310 |
|  | Other Ingredients for pesticides | 2921.4390 |
|  | Ingredients for pesticides | 2921.5110 |
|  | Triethanolamine and its salts | 2922.1300 |
|  | Dimethyl Formamide (DMF) | 2924.1990 |
|  | Ingredients for pesticides | 2924.2930 |
|  | Other Ingredients for pesticides | 2924.2990 |
|  | Alpha cyano, 3-phenoxybenzyl (-) cis, trans 3-(2,2-diclord vinyl) 2,2 dimethyl cyclopropane carboxylate | 2926.9010 |
|  | (S) Alpha cyano, 3-phenoxybenzyl (S)-2- (4, chloro phenyl)-3 mehtyl butyrate | 2926.9020 |
|  | Cyano, 3-phenony benzyl 2,2,3,3 tetra methyl cyclopropane carboxalate | 2926.9030 |
|  | - Cypermethrin, Alpha Cypermethrin, Beta-Cypermethrin, Zeta-Cypermethrin, Lambda Cylalothrin, Deltamethrin, Fenpropathrin, Esfenvalerate, Bifenthrin  Technical Material- Acetamiprid, Imidacloprid Technical Material- Monomehypo, Chlorothalonil Technical Material- Bromoxynil Technical Material | 2926.9050 |
|  | Other nitrite compounds- Cyfluthrin, Beta Cyfluthrin Technical Material | 2926.9090 |
|  | 2-N, N-Dimethyl amino-I sodium thiosulphate, 3-thiosulfourropane | 2930.2010 |
|  | Ingredients for pesticides | 2930.2020 |
|  | 2- N,N-dimethyamino 1,3 disodium thiosulphate propane | 2930.9010 |
|  | O,S-dimethyl phosphoramidothioate | 2930.9020 |
|  | S-S (2 dimethyl amino (trimethylene) bis (thio carbamate) | 2930.9030 |
|  | Diafethiuran technical (itertbutyl) 3-2-6 disopropyl (4-phenoxyphenyl) thiourene | 2930.9040 |
|  | O-O diethyl O-(3,5,6 trichloro pyridinyl) phosphorothioate | 2930.9050 |
|  | O-(4-bromo, 2-chloro phenyl) o-ethyl s-propyl (phosphorothioate) | 2930.9060 |
|  | O,O duethyl O-(3,5,6-trichloro 2-pyridyl) phosphorothioate | 2930.9070 |
|  | Ingredients for pesticides | 2930.9080 |
|  | Other orgonosulpher compounds  - Ethion, Methamidophos Technical Material  - Dimethysulfoxid | 2930.9090 |
|  | Ingredients for pesticides | 2931.0010 |
|  | Other Ingredients for pesticides | 2931.0090 |
|  | Ingredients for pesticides | 2932.2920 |
|  | 2,3 Dihydro 2-2 dimethyl-7 benzo furanyl methyl-carbamate | 2932.9910 |
|  | Other ingredients for pesticides  - Carbosulfan Technical Material | 2932.9990 |
|  | Fipronil | 2933.1900 |
|  | Ingredients for pesticides | 2933.3930 |
|  | Other Ingredients for pesticides | 2933.3990 |
|  | - Chlorpyrifos, Triazophos, Diazinon Technical Material | 2933.5950 |
|  | Other Ingredients for pesticides | 2933.5990 |
|  | Pyrimethanine | 2933.6910 |
|  | Ingredients for pesticides | 2933.6940 |
|  | - Atrazine Technical Material | 2933.6990 |
|  | Isatin (lactam of istic acid) | 2933.7910 |
|  | 1-Vinyl-2-pyrrol-idone | 2933.7920 |
|  | - Triazophos Technical Material | 2933.9910 |
|  | Ingredients for pesticides | 2934.1010 |
|  | Ingredients for pesticides | 2934.9920 |
|  | -Methyl benzimidazol – 2 – ylcarbamate.  -Dicopper chloride trihydroxide | 2938.9010 |
|  | Ingredients for pesticides | 2939.9910 |
|  | - Abamectin, Emamectin Technical Material | 2941.9050 |
|  | Other Ingredients for pesticides | 2941.9090 |
|  | Sulphonic acid (Soft) | 3402.1110 |
|  | Other surface active agents | 3402.1190 |
|  | Catonic | 3402.1290 |
|  | Non ionic surface active agents | 3402.1300 |
|  | Other organic surface active agents | 3402.1990  3402.9000 |
|  | Chemical preparations | 3824.9099 |
|  | Solvent C-9 | 2707.5000”; |

* Exemption on import and supply of sugar has been withdrawn. The same has been subjected to 8% sales tax. Previously sugar was chargeable to 8% FED in sales tax mode.

**TABLE-3**

* The scope of Exemption on import of coal mining machinery, equipment, spares including vehicles for site use for iron coal field has been extended to dump trucks also. Previously, only imported pickups for the said field were entitled for the concession.

**PROPOSED CHANGES IN THE EIGHTH SCHEDULE**

**TABLE-1**

* Against Serial No. 15, PCT headings of certain raw materials relating to poultry feed, cattle feed etc have been changed. Rate of sales tax has also been increased from 5% to 10%.
* Exemption available to bio-diesel production is restricted to plant, machinery and equipment only. Previously, ‘specific items’ used for such production were also enjoying exemption under this entry.
* Following new entries are being introduced for reduced rate of sales tax, mentioned against each item.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sr. No.** | **Description** | **HS Codes** | **Rate of Sales Tax (%)** | **Condition** |
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** |
| “32. | White Crystalline  Sugar | 1701.9910 and  1701.9920 | 8% |  |
| 33. | Urea, whether or not in aqueous solution | 3102.1000 | 5%” |  |

**TABLE-2**

* Now, ‘Silos’ shall also be entitled for import under concessionary rate of 5%, besides machinery and equipment for grain handling and storage facility.

**THE NINTH SCHEDULE**

* Rate of sales tax on mobile phones is proposed to be increased. Revised rates are as under:

**TABLE**

|  |  |  |  |
| --- | --- | --- | --- |
| **(1)** | **(2)** | **(3)** | **(4)** |
| **S. No.** | **Description/Specification of Goods** | **Sales tax payable at the time of import** | **Sales tax payable at the time of registration of a new International Mobile Equipment Identity (IMEI) number** |
| 2. | A. **Low Priced Mobile Phones or Satellite Phones**  i) All cameras: 2.0 mega-pixels or less  ii) Screen size: 2.6 includes or less  iii) Key pad | Rs.300 | Rs.250 |
|  | B. **Medium Priced Mobile Phones or Satellite**  **Phones**  i) One or two cameras: between 2.1 to  10 mega-pixels  ii) Screen size: between 2.6 inches and 4.2 inches  iii) Micro-processor: less than 2 GHZ | Rs.1000 | Rs.250 |
|  | C. **L Smart Cellular Phones or Satellite Phones**  i) One or two cameras: 10 mega-pixels and above  ii) Touch Screen : size 4.2 includes and above  iii) 4GB or higher Basic Memory  iv) Operating system of the type iOS, Android V2.3, Android Gingerbread or higher, Windows 8 or Blackberry RIM  v) Micro-processor: 2GHZ or higher, dual core or quad core | Rs.1500 | Rs.250 |