

SALIENT FEATURES

SALES TAX & FEDERAL EXCISE BUDGETARY MEASURES (FY 2011-12)

o The budgetary measures pertaining to Sales Tax & Federal Excise are primarily aimed at:

Reduction in the rate of Sales Tax from 17% to 16%.

Reducing overall the scope of federal excise duty and completely eliminating special excise duty to reduce the burden of multiple taxation.

Enhancing the sales tax revenues by rationalizing exemption regime with the objective to minimize additional burden on the lower segments of the society.

Distributing the burden of extra taxation measures on exempt sectors of the economy.

Enhancing tax incidence on cigarettes in line with international practices.

BRIEF POINTS ON MAJOR FISCAL MEASURES:

RELIEF MEASURES

o Withdrawal of special excise duty to reduce the quantum of taxation on all items including those used by the middle and lower middle class of population.

Enforced through amendment in Federal Excise Act, 2005 and withdrawal of SRO 655(I)/2007, dated 29.06.2007, effective from the 1st July, 2011.

o Review of federal excise duty regime by reducing the number of goods liable to federal excise.

Enforced through amendment in Table-I of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2011.

o Reduction in the quantum of excise duty on cement and withdrawal of excise duty on white cement is basically aimed at encouraging construction activity which will result in adequate increase in employment opportunities.

Enforced through amendment in Table-I of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2011.

o Reduction in the rate of federal excise duty leviable on aerated beverages from 12% to 6% to provide a level playing around vis-à-vis its substitute like fruit juices, etc.

Enforced through amendment in Table-I of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2011.

- o Federal excise duty levied on services provided by property developers or promoters to reduce the level of taxation which will in turn reduce the quantum of taxation on housing sector already subject to levy of Capital Value Tax

Enforced through amendment in Table-II of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2011.

- o Exemption on local supply of reclaimed lead to recognized manufacturers of lead batteries has been proposed to check misuse of the facility whereby taxes are charged by the suppliers of reclaimed lead but is not deposited into the exchequer.

Enforced through amendment in SRO 551(I)/2008, dated 11.06.2008, effective from the 4th June, 2011.

- o Immediate full adjustment of sales tax paid on import or local purchase of capital goods has been allowed to mitigate the cash flow of industrial sector and to ensure timely and quick adjustment of input tax paid.

Enforced through amendment in section 8B of the Sales Tax Act, 1990 effective from the 4th June, 2011.

REVENUE MEASURES

- o Withdrawal of exemption of sales tax on defence stores at import and local supply to bring it in line with international best practices

Enforced through amendment in Sixth Schedule to the Sales Tax Act, 1990, effective from the 4th June, 2011.

- o Revision in the upward limit of duty slabs to enhance the burden of Federal Excise Duty on locally produced Cigarettes.

Enforced through amendment in Table I, of First Schedule to the Federal Excise Act, 2005, effective from the 4th June, 2011.

- o The exemption regime is being rationalized with objective to reduce its scope only to selected sectors.

Enforced through amendments in Sixth Schedule to the Sales Tax Act, 1990 and SRO 551(I)/2008, dated 11.06.2008, effective from the 4th June, 2011.

- o The value addition tax levied on commercial importers is being enhanced from 2% to 3%, which is levied and collected at import stage.

Enforced through amendment in Chapter X of Sales Tax Special Procedure Rules promulgated through SRO 480(I)/2007, dated 9th June, 2007, effective from the 4th June, 2011.

o Exemption of sales tax on cement/concrete blocks and bricks has been withdrawn to extend similar treatment in line with other inputs used in the construction industry

Enforced through amendment in Sixth Schedule to the Sales Tax Act, 1990, effective from the 4th June, 2011.

o The sales tax leviable on sugar at import and local supply stage has been withdrawn and federal excise duty @ 8% is being levied on aforesaid stages.

Enforced through amendment in First and Second Schedule to the Federal Excise Act, 2005, effective from the 4th June, 2011.

o The zero-rating regime has been rationalized to limit its application only to selected sectors.

Enforced through amendment in SRO 549(I)/2008, dated 11.06.2008 and by rescinding SRO 1161(I)/2007, dated 03.06.2007 effective from the 4th June, 2011.

o The Federal Excise Duty leviable on filter rods for cigarettes has been rationalized from Rs.1/- per filter rod to 20% ad val.

Enforced through amendment in Table I of First Schedule to the Federal Excise Act, 2005, effective from the 4th June, 2011.

o The Federal Excise Duty on unmanufactured tobacco is being enhanced from Rs.5/- per kg to Rs.10/- per kg.

Enforced through amendment in Table I of First Schedule to the Federal Excise Act, 2005, effective from the 4th June, 2011.

LEGAL AMENDMENTS

1. Proposal to provide for revision of special return filed under section 27 by amending section 26(3) of the sales tax act, 1990
2. Proposal to insert the word “per annum” in section 8 of the federal excise act, 2005 to bring it at par with section 34 of the sales tax act, 1990
3. Proposal to bring uniformity in period of recovery of federal excise duty and sales tax

4. Proposal to remove the redundant words in heading of section 34a of the federal excise act, 2005
5. Proposal to amend rule 43a to remove anomaly in the rate of federal excise duty
6. Proposal to substitute cigarettes with cigarettes or beverages in section 26 of the federal excise act, 2005
7. Proposal to substitute cigarettes with cigarettes or beverages in section 27 of the federal excise act, 2005
8. Proposal to rescind SRO 364(I)/2007, dated 03.05.2007, now redundant due to withdrawal of federal excise duty on cable operators
9. Proposal to disallow auto revision of sales tax return available under rule 14-a of the sales tax rules, 2006
10. Proposal to prescribe time limit to decide the case after issuance of show cause notice
11. Proposal to harmonize section 38 of the federal excise act, 2005 with section 47 a (4) of the sales tax act, 1990.
12. Proposal to harmonize section 47 a(4a) of the sales tax act, 1990 with section 38 of the federal excise act, 2005 .
13. Proposal to harmonize rule 65(3) of the sales tax rules with section 47 a (3) of the sales tax act, 1990 .
14. Proposal to amend SRO 880(I)/2007, dated 01.09.2007 to include Eclia in s. No. 59 and to include calibrated in s. No. 50
15. Proposal to amend section 21 of the sales tax act, 1990 to empower commissioner inland revenue to effectively enforce the blacklisting regime
16. Proposal to amend sub-section (1), (3) and (4) of section 30 of the sales tax act, 1990 to include the designation inspector inland revenue as an authority under the sales tax act, 1990
17. Proposal to amend section 30a of the sales tax act, 1990 and section 29 of the federal excise act, 2005 to replace the word “fbr” occurring in the heading and wherever occurring in the text of by the word “inland revenue”
18. Proposal to empower officers with designation assistant commissioner and above to carry out investigative audit under 38b of the sales tax act, 1990

19. Proposal to empower officers inland revenue to reject refunds filed under section 66 of the sales tax act, 1990 where incidence has been passed on to the consumers

20. Proposal to empower federal board of revenue in terms of section 74 of the sales tax act, 1990 to condone time limit in time bound cases dealt by authorities specified in section 30 of the sales tax act, 1990.