

# Comments Sales Tax SROs July 2016

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## SALES TAX ACT, 1990 - SROs

### SRO 487(I)/2006, dated June 30, 2016

#### Exemption from Further Tax

Further tax rate under section 3(1A) has been increased to 2% from 1%. Addition has been made in SRO 648(I)/2013 which further exempt the following:

- ✓ Second hand worn clothing and other worn articles falling under PCT heading 6309.000

Following items are exempt from further tax under section 3(1A)

- ✓ Electric energy supplied to domestic and agricultural consumers
- ✓ Natural gas supplied to domestic consumers
- ✓ Motor spirit diesel oil, jet fuel, kerosene oil and fuel oil
- ✓ Goods sold by retailers to end consumers
- ✓ Supply of the goods directly to the end consumers including food and beverages, fertilizers and vehicles
- ✓ Items falling under the Third Schedule to the Sales Tax Act 1990.

### SRO 488(I)/2006, dated June 30, 2016

#### Amendment in Special Procedure Rules

#### Sales Tax on Retailers

Sales Tax @ 2% on Turnover regime has been introduced as option to Retailers to pay on their Gross Turnover (including exempt supplies), without adjustment of any input tax.

An option to Chief Commissioner is required to be furnished to RTO / LTU by 15<sup>th</sup> of July 2016, opting to pay sales tax on turnover basis and this option shall remain in force for the whole year.

*Retailers are defined in Rule as falling in any of the following categories shall be required to be registered as a retailer under the Act, in the manner specified in Chapter I of the Sales Tax Rules, 2006:-*

- (a) a retailer operating as a unit of a national or international chain of stores;*
- (b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;*
- (c) a retailer who has a credit or debit card machine;*
- (d) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees six hundred thousand; and*
- (e) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers:*

Retailers are required to pay tax on standard rate (@ 17%) and shall observe all the applicable provisions of the Act and rules made thereunder, including the requirement to file monthly sales tax returns in the manner prescribed in Chapter II of the Sales Tax Rules, 2006:

Provided that the retailers making supplies of finished goods of the five sectors specified in Notification No. S.R.O. 1125(I)/2011, dated the 31st December, 2011 shall pay sales tax in respect of such supplies at the rates prescribed in the said Notification.

Now option is added in the said Rules for Retailers to pay instead sales tax @ 2% on its gross sales (including exempt supplies / sales)

### **SRO 489(I)/2006, dated June 30, 2016**

#### **Provincial Sales Tax as Input Tax – Withdrawn**

SRO 212(I)/2014, dated March 26, 2014 declaring Provincial Sales Tax on services as input tax has been withdrawn.

The notification is consequent to the omission of Section 2(22A) of Sales Tax Act 1990 through Finance Act 2016 whereby tax levied under, Provincial laws which are declared by the Federal Govt. to be Provincial Sales Tax for the purpose of input tax has been omitted.

### **SRO 490(I)/2006, dated June 30, 2016**

#### **Sales Tax on Petroleum Products**

SRO 57(I)/2016, dated January 29, 2016 has been amended and rates of sales tax on petroleum products has been changed. Earlier, these were charged fixed amount per liter. Now it has been substituted as % ad valorem.

<b>Description</b>	<b>RATE Ad Valorem</b>
Motor Spirit excluding HOBC	17%
HOBC	17%
Kerosene	7%
High Speed Diesel Oil	28%
Light Diesel Oil	5%

### **SRO 491(I)/2006, dated June 30, 2016**

#### **Amendment in SRO 1125(I)/2011**

(5 Export Oriented Sectors)

Read with SRO

1. 593 dated 01-6-12

2. 154 dated 01-3-13
3. 221 dated 19-3-13
4. 504 dated 12-6-13
5. 682 dated 26-7-13
6. 898 dated 04-10-13
7. 420 dated 04-06-14
8. 575 dated 26-06-14
9. 486 dated 30-06-14
10. 491 dated 30-06-16

**(With effect from: 01/07/201)**

Notification shall apply on **5 Sectors** from;

1. Spinning stage onwards, in case of Textile sector;
2. Production of PT or MEG, in case of synthetic sector.
3. Regular manufacturing, in case of carpets and jute products;
4. Tannery onwards, in case of leather sector; and
5. Organized manufacturing, in case of surgical and sports goods;

<b>SR</b>	<b>CATEGORY</b>	<b>TO</b>	<b>After SRO 491/2016 Dated 26/06/2016</b>
1 (i)	5.S Import	Registered manufacturer for in-house consumption	0 %
(ii)	Commercial imports		0% plus 0%
(iii)	Supplies of 5S (Excluding finished fabrics)	Registered Un-Registered	0%
(iv)	Supply to outside 5S	All	17%
(v)	Import by or Supply to; (Goods in Table I & II)	Reg manufacturers	0%
(vi)	Finished Fabrics Supplies	Manufacturers of 5S	0%
(vii)	Finished Fabrics Supplies	✓ To and by Retailers ✓ To end consumers ✓ Other supplies of finished fabrics	5%
2	Processing charges by registered manufacturers	Goods owned by other person	0% of the processing charges
3	Locally manufactured of finished articles of: a) Textile and textile made ups b) Leather and artificial leathers	Supplies to all including retail sales	5%

## Sales Tax SRO Amendments – July 2016

4	Imported finished goods of 5S <ul style="list-style-type: none"> <li>Imports</li> <li>Supply thereof</li> </ul>	General Public	<ul style="list-style-type: none"> <li>✓ 17% plus 2% value addition</li> <li>✓ 17%</li> </ul>
(xiii)	Supply of Furnace oil, diesel oil and coal	Registered Person of 5S	0% subject to issuance of STGO
All reg persons shall be entitled to input tax adjustment, subject to provision of sales Tax Act 1990 and Rules, provided no input tax credit or refund shall be admissible on packing material of all sorts.			
Post refund audit and scrutiny shall be conducted and finalized in the manner as provided in the sales Tax Rules.			

Before Substitution up to June 30, 2016, the effective application of SRO 1125 was:

SR	CATEGORY	TO	After SRO 575/2014 Dated 26/06/2014	After SRO 486/2015 Dated 30/06/2015
III	5.S Import	Registered person on Industrial Inputs	2%	3%
IV	Commercial importer (5.S) on industrial input 2% on value + 2% add	<ul style="list-style-type: none"> <li>Reg person (5.S)</li> <li>Reg person outside (5.S)</li> <li>Un reg person</li> </ul>	2 % 17 % 17 %	3% plus 1% value addition
V	Import to final consumer 17% on value + 2% add	Retailer	17%	17% plus 2% value addition
VI	Supply of goods as industrial inputs in (5.S)	<ul style="list-style-type: none"> <li>Reg/Unreg person (5.S)</li> <li>Reg/Unreg person outside (5.S)</li> </ul>	2 % 17 %	3% 17%
VII	Supply of 5S (excluding finished Fabrics)	<ul style="list-style-type: none"> <li>Reg retailer</li> <li>Un reg retailer</li> </ul>	5 % Sale Tax S.P 2007	5 %
VIIa	Fabric: Supply Imports	All	3% New insertion	3% 3% plus 1% value addition
VIII	Supply of locally manufactured F/Goods by Reg. person (Retailer) (5.S)	Retail sales	5 % Sale Tax S.P 2007	5 %
VIII	Supply of locally manufactured F/Goods by Reg. Manufacturer (5.S)	Retail Sale	5 % Sale Tax S.P 2007	5 %
IX	Reg Manufacturers / Processing charges	Processing value of goods (Incl of processing charges)	2%	3%
IX(a)	Supply/Import of goods specified in table-I or Table II	Reg. Manufacturer (5.S or not)	2%	3%
X	All reg persons shall be entitled to input tax or refund against taxable supplies, subject to provision of sales Tax Act 1990 and Rules.			
XI	Reg Manufacturers shall be entitles to adjustment of input Tax on machinery, parts, spares and lubricants, subject to provision of sales Tax Act 1990 and Rules.			

**SRO 493(I)/2016, dated June 30, 2016**

**Filing of Monthly Sales Tax & Federal Excise Return**

SRO 493(I)/2016 has amended Sales Tax Act, 1990, Sales Tax Rules 2006, Federal Excise Act, 2005 and Customs Act, 1969 regarding due date and method of filing of Monthly Sales Tax & FED Return from July 2016 onwards. Relevant comments are as hereunder;

1. Registered person shall enter (partial or complete data) and submit his Sales (Annexure C) and Debit/Credit Note (Annexure I) by 10<sup>th</sup> of next following month. The Sales declared by RP shall become immediately available to concerned buyers in their Purchase Data (Annexure A) and Debit/Credit Notes (Annexure I) respectively on their e-FBR portal.
2. Purchases from unregistered persons shall be entered manually as may be allowed by Board.
3. RP making purchase shall be informed by automated system of Board immediately after sales declared by his suppliers.
4. If supplier does not declare sales by 10<sup>th</sup> of next month, buyer shall be allowed provisional adjustment of input tax till next month (30 days). If supplier fails to declare/file 2<sup>nd</sup> return, provisional input tax shall be disallowed. If supplier files the return, then provisional input tax shall stand settled.
5. Likewise, if buyer of Registered Person does not declare sales tax withheld by 10<sup>th</sup> of next month, supplier shall be allowed provisional reduction of output tax till next month (30 days). If buyer fails to file 2<sup>nd</sup> return, provisional reduction of output tax shall be disallowed. If buyer files the return, then provisional adjustment of output tax shall stand settled.
6. In the same way, if the buyer has not accepted Credit Note issued by supplier, the supplier shall be allowed provisional adjustment of his liability till next month (30 days), otherwise this provisional adjustment shall be reversed and output become payable with next return.
7. Provisional adjustment of sales tax shall be become payable automatically in column 7(a) of next month's return of registered persons in case of non-filing/non-compliance.
8. Registered person shall be allowed credit of input tax, STWH or Debit/Credit Note, if the same is duly shown by corresponding buyer/seller in the return of same month.
9. The balance of earlier input sales tax or STWH disallowed shall appear in column 7(c) of monthly return for subsequent pursuance and compliance by parties.

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