



The Institute of  
Chartered Accountants  
of Pakistan

# POST BUDGET

2012-13 (FAISALABAD)

# INDIRECT TAXES


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Government's view of the economy could be summed up in a few short phrases:

If it moves, tax it.

If it keeps moving, regulate it.

And if it stops moving, subsidize it.

*Ronald Reagan*

# SALES TAX



# Rate of Sales Tax

- SRO.644(I)/2007 rescinded, consequently higher sales tax rates of 22% and 19.5% abolished. Standard rate of 16% would now apply to all taxable goods except where reduced rate provided [applicable w.e.f. 02 June 2012].

# Assessment and Recovery

- Section 11 amended and Section 36 is deleted.
- Provisions relating to assessment and recovery consolidated with following changes:
  - Time limit for recovery of tax on account of inadvertence, error or misconstruction enhanced from 3 to 5 years;
  - The Commissioner empowered to extend time limit for passing the order upto 90 days beyond statutory limitation of 120 days.

# Zero Rating to Exempt Regime

- Supplies against international tenders  
Remeltable scrap [import and local supply]
- Sprinkler, drip equipment, spray pumps etc. [local supply]
- Import and supply of polyethylene and polypropylene for manufacturing of mono filament yarn and net cloth

# Exemptions and Zero Rating

- Sales Tax Exemptions has been granted on waste paper
- Zero-rating has been granted on cotton seed oil if supplied to registered manufacturers of vegetable ghee and cooking oil
- Withdrawal of 10% value addition for commercial importers in respect of computer hardware and its parts.

# Sales tax rates revised;

Description of Goods	Old	Revised
• Import of soya-bean seed by solvent industry	7%	6%
• Import of rapeseed, sunflower & canola seed	15%	14%
• Waste paper [local supplies only]	22%	Exemot
• Black tea [SRO.608(I)/2012]	15%	5%
• Products of steel sector	Rs. 6/Kwh	*Rs. 8/Kwh
<b>Minimum value for assessment of tax</b>		
• Billets [PMT] (on ad valorem basis )	Rs. 55,000	Rs. 65,000
• Ingots [PMT] (on ad valorem basis )	Rs. 50,000	Rs. 60,000



# Default Surcharge and Penalties

- SRO.563(I)/2012, dated 25 May 2012 exempts default surcharge and penalties payable provided outstanding principal amount of sales tax or FED on account of illegal adjustment of input tax is paid by 25 June 12.

# SALES TAX RULES 2006

Death and taxes and  
childbirth!

There's never any  
convenient time for any  
of them.



# Application for registration (Rule 5)

- The Board is now empowered to also transfer the registration of any registered person or any business of a registered person to an area of jurisdiction where the place of business or registered office or manufacturing units are located - besides corporate persons to apply for transfer of registration to the Collectorate having jurisdiction where the place of business is located.

# Blacklisting and suspension of registration (Rule 12)

- Now where the Commissioner or Board have reasons to believe that the registered person is to be suspended or blacklisted, the procedure as prescribed by the Board shall be followed.

However, no procedures have yet been prescribed by the Board along with the notification.

# Authorized Representative (Rule 58/62)

- Amendment in Rule 58 allow authorized representative to represent taxpayer before FBR while amendment in Rule 62 empowers FBR to disqualify the representative on complain of officer of FBR

# Matters need attention



# Joint and Several Liability U/s 8A of Sales Tax

In case of blacklisted/ blocked suppliers, it is the supplier in supply chain that should be held accountable for non-compliance rather than the buyer.

Buyer dealing in good faith at the time when supplier is not blacklisted shall not be held accountable for any previous transaction.

# Revision of Return of Sales Tax

Currently for every return, approval of commissioner is required and even for clerical mistake in the return, it takes whole process of not less than audit to get the permission for revision.

Revision of return be made easy in those cases where no refund is enhanced or no liability is decreased to avoid hardship for the registered person to go through an ordeal to correct clerical error or omission.





## Federal Excise Duty

“The primary requisite for any new tax law is for it to exempt enough voters to win the next election”

# Change in Rates of FED

- **FED on Cement** Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers **reduced from Rs.500 PMT to Rs.400 PMT**
- **FED on locally produced cigarettes enhanced nominally.**

Any new brand introduced in the market shall not be priced and sold lower than 5% below the price of the Most Popular price Category (MPPC). MPPC is the price point at which the highest number of excise tax paid cigarettes are sold in the previous fiscal year.

# FED rates on air travel enhanced

w.e.f. 01 July 2012:

Description of service	Old rate	Proposed rate
Domestic air travel 16% plus	Rs.20/ticket	Rs.60/ticket
International air travel from Pak.		
(i) Economy & economy plus	Rs.3,240	Rs.3,840
(ii) Club, business & first class	Rs.4,240	Rs.6,840

FED on air travel of passengers embarking for Pakistan from a foreign destination withdrawn.

# FED on Asset Management Company

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- FED on management fee charged by the asset management companies withdrawn retrospectively w.e.f. 01 July 2007

[Sindh sales tax still applies on AMC since 01 July 2011]

# FED withdrawn on following categories of goods;

Sr. No Table	Descriptions	Existing rate (to be abolished)
22	<b>Lubricating oil</b> in packs not exceeding 10 litres	Ten percent of the retail price
23	Lubricating oil in packs exceeding 10 litres	Ten percent of the retail price
24	Lubricating oil in bulk (vessels, boozers, lorries etc.)	Seven rupees and fifteen paisa per litre
25	Lubricating oil manufactured from reclaimed oils or sludge or sediment, subject to the condition if sold in retail packing or under brand names the words manufactured from reclaimed oil or sludge or sediment should be clearly printed on the pack	Two rupees per litre
27	<b>Base lube oil</b>	Seven rupees and fifteen paisa per litre

# FED withdrawn on following categories of goods; ... Cont'd

Sr. No Table	Descriptions	Existing rate (to be abolished)
42	<b>Perfumes and toilet waters</b>	Ten percent of retail price if packed in retail packing and ten percent ad volarem if in bulk
43	<b>Beauty or make-up</b> preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations	Ten percent of retail price if packed in retail packing and ten percent ad valorem if in bulk
44	Preparations for use on the hair excluding herbal hair oil and kali mehndi	Ten percent of retail price if packed in retail packing and ten percent ad valorem if in bulk

# FED withdrawn on following categories of goods; ... Cont'd

Sr. No Table	Descriptions	Existing rate (to be abolished)
45	<p><b>Pre-shave, shaving of after-shave preparations,</b> personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorizers, whether or not perfumed or having disinfectant properties</p> <p>(excluding agarbatti and other odoriferous preparations which operate by burning)</p>	Ten percent of retail price if packed in retail packing and ten percent ad valorem if in bulk

w.e.f. 02 June 2012:

# Levy of FED remains on;

Items	Items
Edible oils	Cement
Vegetable ghee and cooking oils	Liquefied Natural Gas
Concentrates for aerated including syrup form	Liquefied Petroleum Gases
Aerated waters	Natural Gas
Flavors for beverages	Liquefied Propane, Butane, Ethylene, Propylene, Butylenes and Butadiene
Unmanufactured Tobacco	
Cigarettes / Cigars	White Crystalline Sugar.



# Custom Duty



# Reduction in tariff and duty

- The maximum general tariff slab reduced from 35% to 30%
- Duty on 88 pharmaceutical raw materials reduced from 10% to 5%
- Duty on self adhesive paper reduced from 25% to 10%
- Concessions provided for import of industrial raw materials to promote the indigenous industry

# Appeal by Customs Officer

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- Customs officer, if aggrieved by the decision of an officer, entitled to file appeal before the Collector Appeals

# Custom Rules, 2001

- Amendment in rule 297 prescribe a minimum value addition of 15% for a person entitlement of DTRE facility.
- Amendment in rule 305 whereby time is reduced to 12 months from 24 months for manufacturing and export of good under DTRE facility.



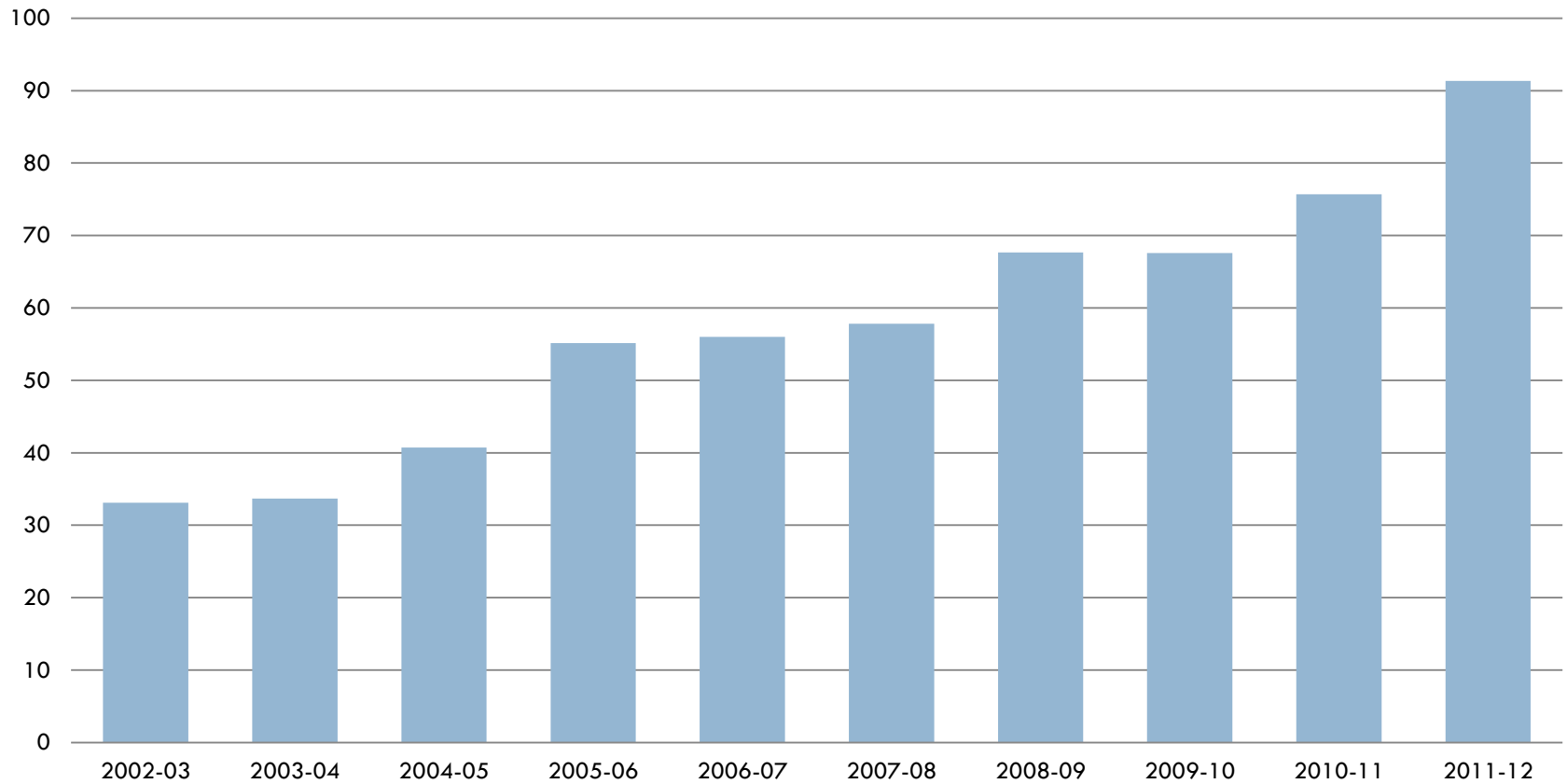


In current state of affairs of economy, Is the target achievable?

**Unquestionably, there is progress. The average Pakistani now pays out twice as much in taxes as he formerly got in wages.**

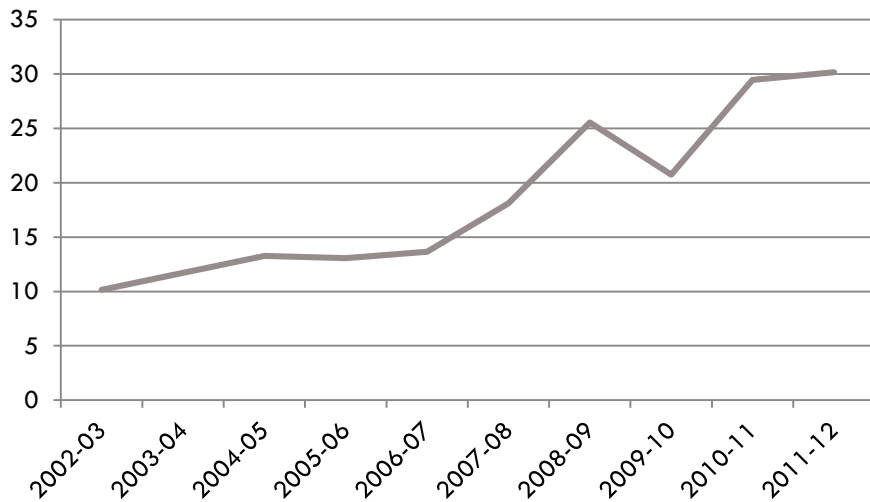
# Petrol Super

**Average Retail Price**

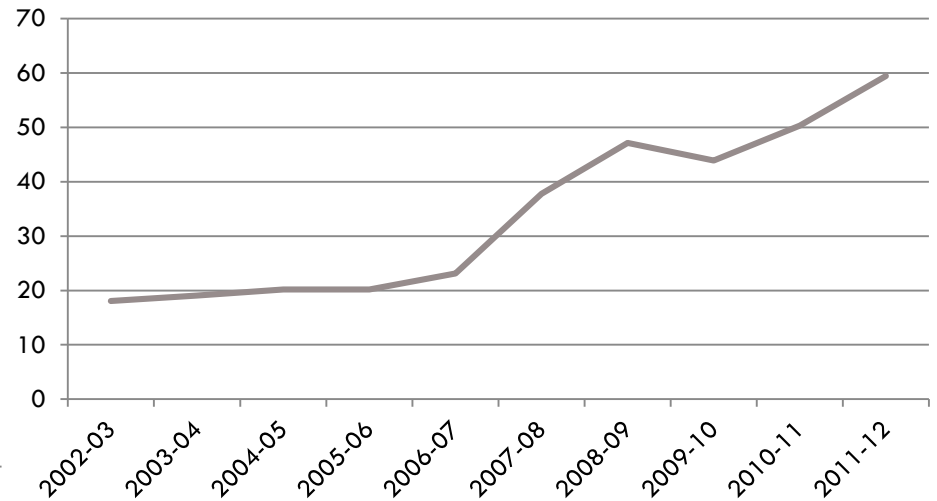


# Average Retail Price

## Wheat Flour



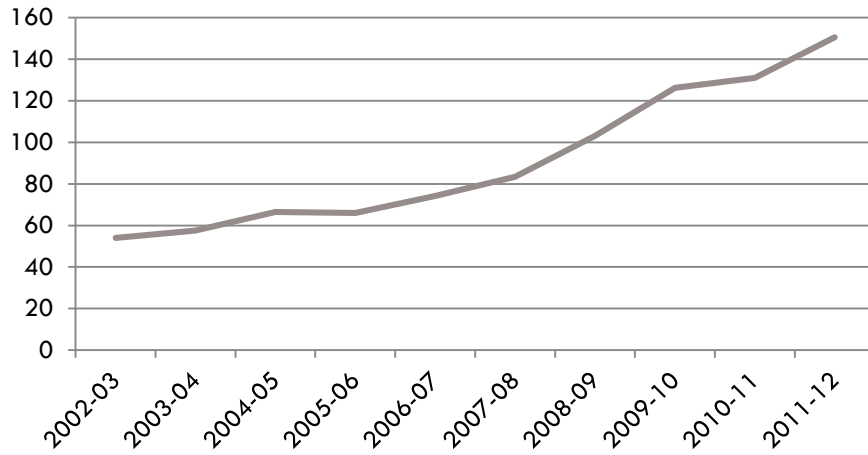
## Basmati Rice



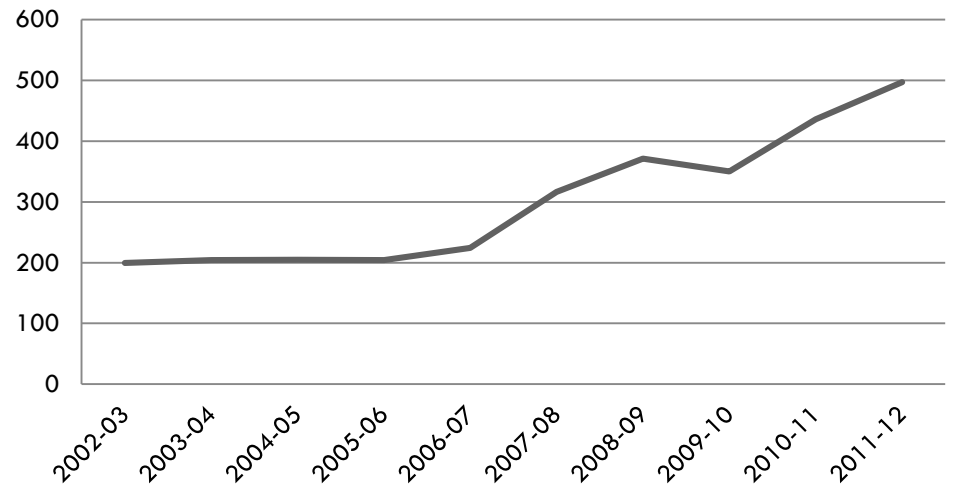


# Average Retail Price

## Chicken

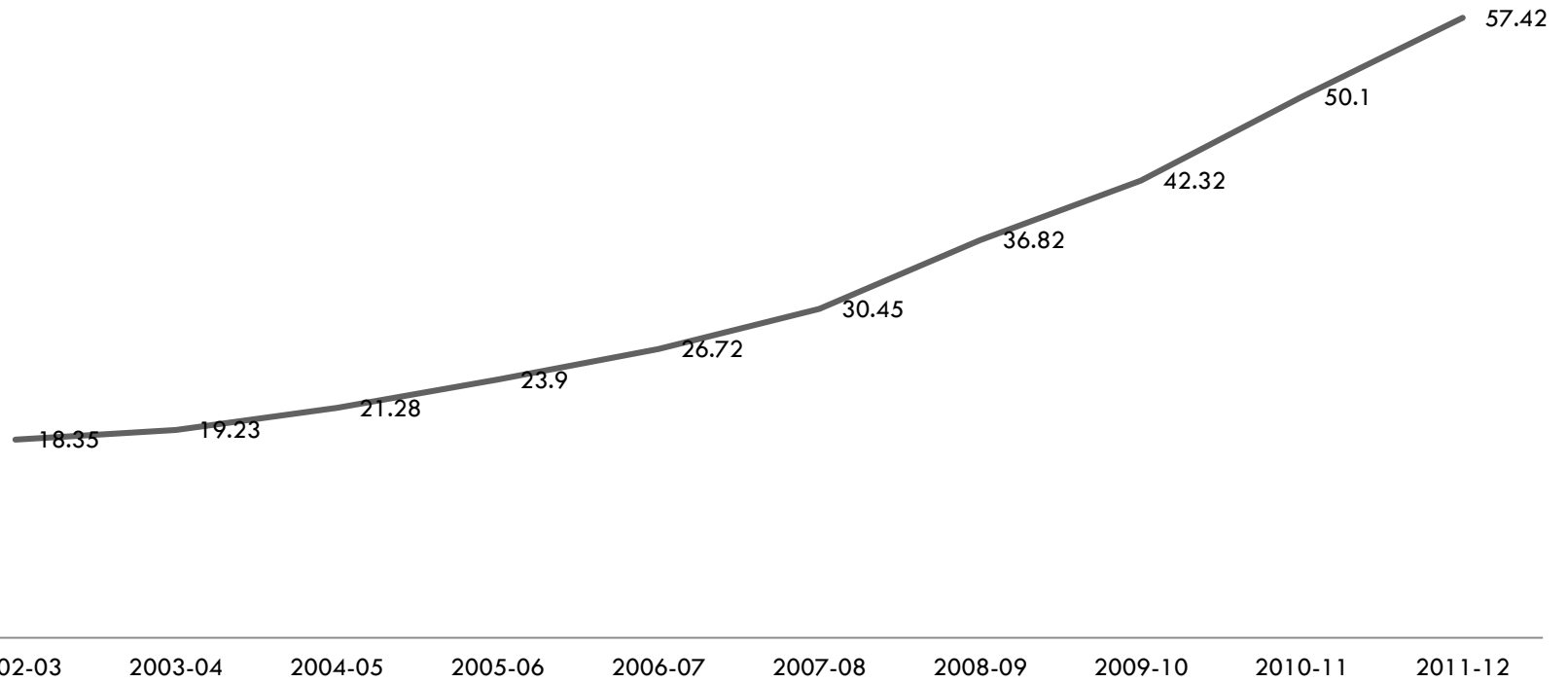


## Cooking Oil

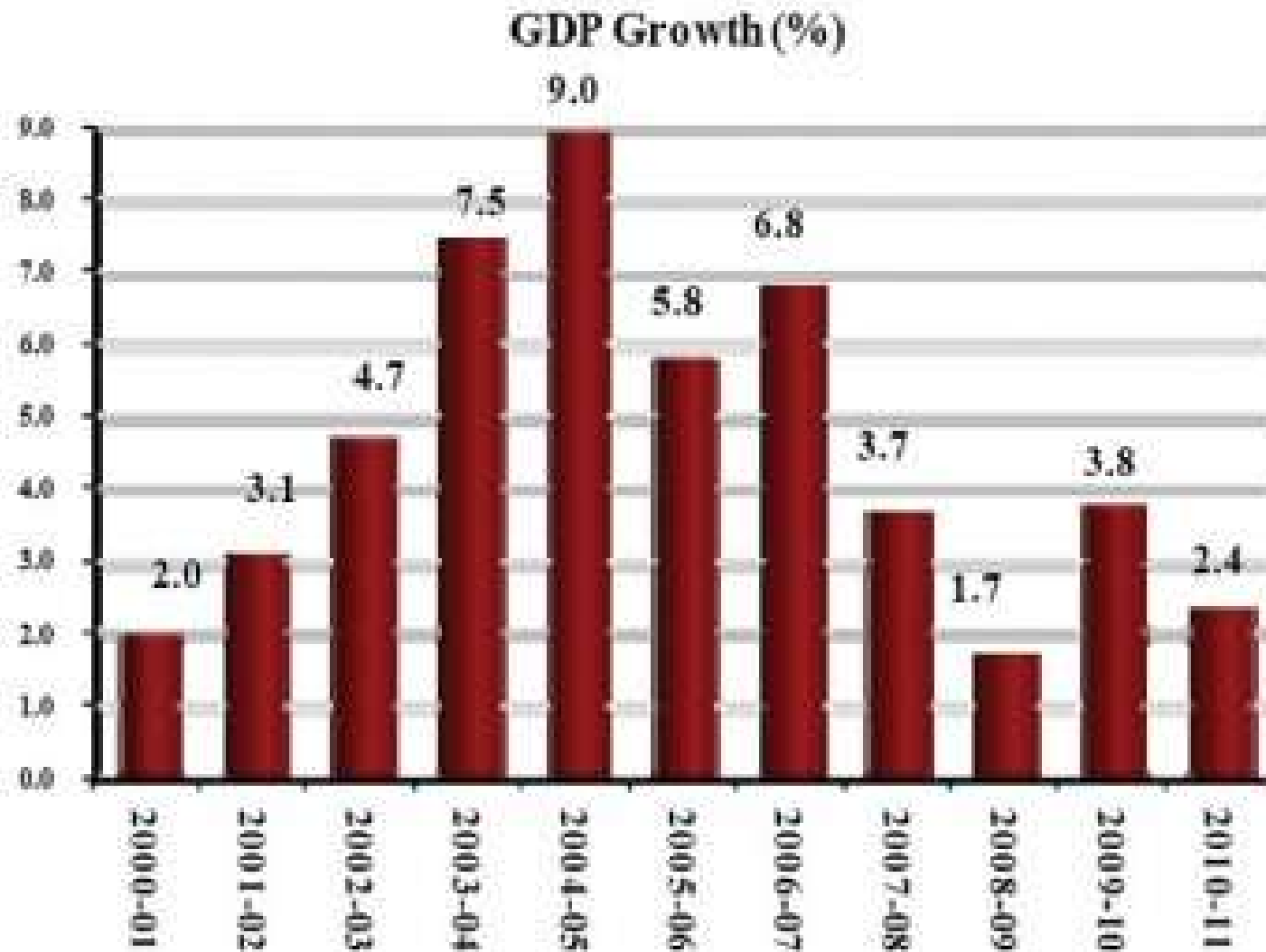


# Milk

## Average Retail Price




# GDP Growth of Pakistan for last 10 years



Deficits mean future tax increases, pure and simple.

**Deficit spending should be viewed as a tax on future generations, and politicians who create deficits, should be exposed as tax hikers.**

*Ron Paul*

A photograph of a long, straight dirt road stretching from the foreground into the distance. The road is flanked by dry, brownish vegetation. In the far distance, a city skyline with several tall buildings is visible under a clear blue sky with a few wispy clouds. The overall scene suggests a remote or rural location with a long drive to a city.

**It's a long way to go and  
the road is not good**

# To be competitive, we need to get efficiency in;



- Energy (Power)



- Water (Reserves)



- Agriculture efficiency

- Education (Technology)





**Na “Roti Kapra aur Makan”**

**Still we manage to Smile 😊**

بخت سے کوئی شکایت  
ہے نہ افلاک سے ہے

پہی کیا کم ہے کہ نسبت  
مجھے اس خاک سے ہے

پروین شاکر



# Thank you

There is no power on earth that can  
undo Pakistan.

*Quaid-e-Azam, Lahore October 30, 1947*



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