

SALIENT FEATURES

SALES TAX & FEDERAL EXCISE BUDGETARY MEASURES (FY 2009-10)

- The budgetary measures of Sales Tax & Federal Excise are primarily aimed at:
 - To bring Sales Tax & Federal Excise Laws in conformity with each other in order to make them simple and easy to follow.
 - Enhance the Sales Tax & Federal Excise revenue by bringing more items in the tax net.
 - Enhancing the tax incidence on cigarette i.e, an injurious to health item.

BRIEF POINTS ON MAJOR BUDGETARY MEASURES:

RELIEF MEASURES

- Zero-rating of wheel chairs for special people.
 - Zero-rating of Sales Tax on import and local supply of wheel chairs is aimed at providing wheel chairs to special people at cheaper prices.

Enforced through S.R.O. 472(I)/2009 dated 13.06.2009, effective from the 14th June, 2009.
- Exemption of Lysine Sulphate.
 - Exemption of Sales Tax on import and local supply of Lysine Sulphate is aimed at providing cheaper raw materials for poultry feed which will result into decrease in prices of poultry products.

Enforced through SRO. 477(I)/2009 dated 13.06.2009, effective from the 1st July, 2009.
- Reduction of Federal Excise Duty on cement from Rs. 900 / PMT to Rs. 700/ PMT.

- Reduction of Federal Excise Duty on cement is aimed at providing cement at cheaper rate which will encourage construction activities in the country.

Enforced through amendment in Table I of First Schedule to the Federal Excise Act, 2005, effective from the 14th June, 2009.

- Withdrawal of 5% Federal Excise Duty on motor cars.

- Withdrawal of 5% Federal Excise Duty on motor cars is aimed at providing motor cars at lower rate which will boost their demand and stabilize the local auto mobile industry.

Enforced through SRO. 474(I)/2009 dated 13.06.2009, effective from the 14th June, 2009.

- Reduction of Federal Excise Duty on telecommunication services.

- Reduction of Federal Excise Duty on telecommunication services from 21% to 19 % is aimed at reducing the cost of the service.

Enforced through amendment in Table II First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2009.

- Reduction of activation charges of cellular phones.

- Reduction of activation charges of cellular phones from Rs. 500 to Rs. 250 is aimed at reducing the cost of new connection of mobile phones.

Enforced through SRO. 476(I)/2008 dated 13.06.2009, effective from the 1st July, 2009.

REVENUE MEASURES

- Withdrawal of Exemption on import of ware potatoes and onion.
 - Withdrawal of Exemption on import of ware potatoes and onion is aimed at providing protection to local growers of potatoe and onion.

Enforced through amendment in Sixth Schedule to Sales Tax Act, 1990, effective from the 14th June, 2009.

- Enhancement of Federal Excise Duty on Cigarette.
 - Enhancement of rate of Federal Excise Duty on locally produced Cigarette in different slabs is aimed at brining tax rate on this item near international level, increasing revenue and discouraging cigarette smoking.

Enforced through amendment in Table I of First Schedule to the Federal Excise Act, 2005, effective from the 14th June, 2009.

- Levy of FED on advertisement in newspapers, periodicals, hoarding boards, pole signs, sign board and shop boards.
 - To generate additional revenue for meeting dire national needs the scope of FED on advertisement has been increased.

Enforced through amendment in Table II of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2009.

- Enhancement of FED on short message services.
 - Levy of twenty paisa per SMS in addition to the rate specified for telecommunication services is aimed at meeting revenue requirements.

Enforced through amendment in Table II of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2009.

- Enhancement of rate of FED on insurance services from 10% to 16%.
 - The rate of FED on insurance services from 10% to 16% in VAT mode is aimed at widening tax net.

Enforced through amendment in Table II of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2009.

- Levy of FED on fund services provided by banks.
 - The FED @ 16% in VAT mode has been levied on fund / non-fund services provided by banking companies and non-banking financial companies to widen the tax net.

Enforced through amendment in Table II of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2009.

- Levy of FED on services provided by the port and terminal operators including wharfage in respect of imports.
 - The FED @ 16% at VAT mode has been levied on services provided by the port and terminal operators including wharfage in respect of imports to widen tax net.

Enforced through amendment in Table II of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2009.

- Levy of FED on services provided by stock broker.
 - The FED @ 16% in VAT mode has been levied on services provided by stock brokers is aimed at widening the tax net.

Enforced through amendment in Table II of First Schedule to the Federal Excise Act, 2005, effective from the 1st July, 2009.

STREAMLINING MEASURES

- Introduction of KIBOR plus three percent per month as default surcharge.

- In order to keep the rate of default surcharge higher than the interest rates of banks to avoid short filing by the taxpayers, KIBOR (Karachi Inter Bank Offered Rates) plus three percent has been introduced.

Enforced through amendment in Sales Tax Act, 1990 and Federal Excise Act, 2005, effective from the 1st July, 2009.

- Reduction in the period by which the Collector / Federal Excise Officer can extend the time limit for adjudication of cases under Sales Tax Act, 1990 and Federal Excise Act, 2005 respectively.

- The time limit which the Collector can extend in adjudication of Sales Tax cases has been reduced from 120 to 60 days and which can be extended by Federal Excise Officer in Federal Excise cases has been reduced from 90 to 60 days.

Enforced through amendment in section 11 and 36 of Sales Tax Act, 1990 and section 31 of Federal Excise Act, 2005, effective from the 1st July, 2009.

- Introduction of penalty / imprisonment for violation of section 40B of the Sales Tax Act, 1990.

- The penalty / imprisonment for violation of section 40B has been introduced to make enforcement more effective.

Enforced through amendment in section 33 of Sales Tax Act, 1990, effective from the 1st July, 2009.

- Redefining the time period regarding reopening of any decision or order by the Board or Collector to three years.

- The time period for reopening the cases under Sales Tax Act, 1990 and Federal Excise Act, 2005 is being changed to three years.

Enforced through amendment in section 45A of Sales Tax Act, 1990 and section 35 of Federal Excise Act, 2005, effective from the 1st July, 2009.

- Regularization of the system of Alternate Dispute Resolution.
 - The system of ADRC has been streamlined by prescribing a period of 180 days for submission of recommendation and period of 45 days for passing of orders by the Board.

Enforced through amendments in section 47A of Sales Tax Act, 1990 and section 38 of Federal Excise Act, 2005, effective from the 1st July, 2009.

- Introduction of KIBOR as the rate of amount payable in addition to refund in case of delay in payment of refund of Sales Tax & Federal Excise Duty.
 - The KIBOR has also been made the basis for calculation of compensation in cases when payment of refunds is delayed.

Enforced through amendments in section 67 of Sales Tax Act, 1990 and introduction of section 44A of Federal Excise Act, 2005, effective from the 1st July, 2009.

- Harmonization of provisions regarding appeals to Appellate Tribunal under Sales Tax Act, 1990 and Federal Excise Act, 2005 with Customs Act, 1969.
 - The provisions regarding the appeals to Appellate Tribunal in Sales Tax Act, 1990 and Federal Excise Act, 2005 have been harmonized and brought in conformity with Customs Act, 1969 to have uniformity in all the three laws.

Enforced through amendments in section 46 of Sales Tax Act, 1990 and section 34 of Federal Excise Act, 2005, effective from the 1st July, 2009.