

SALES TAX ACT, 1990

Decrease of Sales Tax Rate by 1%

Section 3, subsections (1), 2 (a) & 5

The general rate of Sales Tax is proposed to be decreased from 17% to 16% through the Finance Bill 2011. Through this amendment the general as well as the tax rate on the third schedule items would also be reduced to 16%.

The decrease in rates would be effective from 1st July, 2011.

Originally, the rate of Sales Tax in 1990 was 12.5%, revised in 1993 to 15% then raised to 18% in 1996. In March 1997 was reduced to 12.5% then raised to 15% in 1998 which remained in force till June 2008. Effective from July 2008 the rate was increased to 16% and through Finance Act, 2010; the rate was increased to 17% & now proposed to decrease it to 16% again. This will be a good step by the Government to reduce the sales tax rate & will give some relief to the masses.

Adjustable Input Tax on Fixed Assets or Capital Goods

Section 8B

Section 8B was originally inserted through Finance Act, 2007, limiting the adjustment of input tax to 90% of the output tax for a particular tax period & the tax paid on the acquisition of fixed assets is adjustable against the output tax in twelve equal monthly installments.

Now, through the bill it is proposed to allow immediate full adjustment of sales tax paid on import or local purchase fixed assets or capital goods to mitigate the cash flow of industrial sector and to ensure timely and quick adjustment of input tax paid.

De-Registration, blacklisting and suspension of registration

Section 21

Section 21 prescribes the procedure for de-registration of registered person on satisfaction of the authorities that such person is not required to be registered under the law or may blacklist or suspend any registered person on satisfaction that such person has issued fake invoices or committed any tax fraud.

Now through Finance Bill, 2011, a new sub-section (3) is proposed to be inserted after sub-section (2) that during the period of suspension of registration, the invoices issued by such person shall not be entertained for the purposes of sales tax refund or input tax credit, and once such person is blacklisted, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such blacklisting shall be rejected through a self speaking appealable order and after affording an opportunity of being heard to such person.

This provision is harsh from the purchaser point of view being penalized on the default on part of other party which is against the norms of justice.

Returns, Special Returns

Section 26, 27

Sub-section (3) of section 26 describes that a registered person may revise a return within 120 days of filing of original return with the approval of Commissioner of Inland Revenue & section 27

describes the special returns to be filed by a registered person.

Now, through Finance Bill, amendment has been proposed in sub-section (3) of section 26 that the special returns required to be filed under section 27 may also be revised within 120 days with the prior approval of Commissioner Inland Revenue.

Appointment of Authorities

Section 30

Section 30 was substituted through Finance Act, 2010, describes the appointment & hierarchy of the authorities. Through Finance Bill, a new position of “Inspector Inland Revenue” has been introduced, subordinate to the Commissioner Inland Revenue.

Alternate Dispute Resolution

Section 47A

Sub-section 4A of section 47 describes the powers of Chairman to pass the amended order passed under sub-section 4 by the Board.

Now, the sub-section 4A is proposed to be substituted bestowing powers to the member nominated by the Chairman FBR viza viz the Chairman FBR.

Refund to be Claimed with in one Year

Section 66

Section 66 describes the terms & conditions for issuance of refunds with in one year of the date of payment. A new proviso has been proposed that no refund shall be admissible under this section if incidence of tax has been passed directly or indirectly to the consumer.

The insertion of proposed proviso is against the spirit of the Sales Tax Law. Ultimately, the incidence of sales tax is passed to the consumer.

Condonation of time-limit

Section 74

Section 74 of the Act authorizes the Board to permit the condonation of time limit for any application is to be made or any act or thing is to be done.

Now, an explanation is proposed to be inserted specifying the act or thing is to be done include any act or thing to be done by the registered person as well as by the tax authorities.

Withdrawal of exemption

Section 13 (1), Sixth Schedule

Section 13 specifies the supply of goods or import of goods exempt from tax under the Act specified in the Sixth Schedule.

The following table illustrates the items, against which the exemption are proposed to be withdrawn.