

**GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE**

C. No. 3(11)ST-L&P/2014-109029-R.

Islamabad, the 21st July, 2014.

SALES TAX GENERAL ORDER NO. 66 /2014

Subject:- **COLLECTION OF SALES TAX FROM RETAILERS IN TERMS OF
SUB-SECTION (9) OF SECTION 3 OF THE SALES TAX ACT, 1990
READ WITH SRO 608(I)/2014 DATED 02.07.2014.**

A new two-tier regime for retailers has recently been created by insertion of sub-section (9) in section 3 of the Sales Tax Act, 1990 ("the Act") and amendment of the Sales Tax Special Procedure Rules, 2007 vide SRO 608(I)/2014, dated 02.07.2014 ("the Rules"). Under this regime, the first tier comprises of retailers of the categories specified in rule 4 of the Rules as indicated below, who are required to be registered, shall charge sales tax at the standard rate (or on other prescribed rates such as those provided in SRO 1125(I)/2011 dated 31.12.2011), and otherwise observe the provisions of the normal regime of sales tax.

- (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 consumers.

The remaining retailers fall within the second tier, and shall be charged sales tax at rates specified in section 3(9) of the Act through their electricity bills.

2. For the purpose of proper and effective implementation of this regime, the following instructions are issued for compliance by all concerned:

- (i) in each Regional Tax Office ("RTO"), in every Enforcement and Collection("E&C") or Broadening of Tax Base ("BTB") Zone having territorial jurisdiction, a Cell shall be created for the purpose of registration of retailers and dealing with matters relating to enforcement of the above mentioned legal provisions. Sufficient number of officers/officials shall be posted in the cell, which shall report directly to the Commissioner.



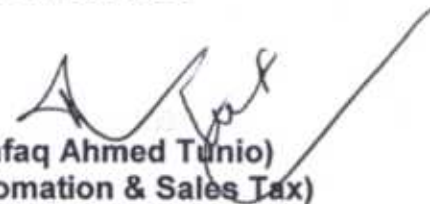
- (ii) the Cell shall ensure registration of all retailers of the first tier falling within the jurisdiction of that Zone without any delay. For this purpose, the following actions shall be undertaken by the Cell:-
- (a) scrutiny of the lists of retailers already circulated by FBR with a view to identify and segregate the retailers falling in the jurisdiction of that Zone;
 - (b) identification of additional retailers required to be registered by obtaining information through other sources, such as territorial surveys, trade directories, internet search, or any other manner. Lists of persons having commercial connections and total electricity bill exceeding Rs. 600,000 in the preceding 12 months (average Rs. 50,000 per month) shall be obtained from the electricity supply companies, while lists of all commercial establishments using credit or debit card machines shall be obtained from the State Bank of Pakistan;
 - (c) approach all retailers liable to be registered, but not yet registered, and persuade them for registration, either directly or through their representative associations. Assistance of the management/Association of the shopping mall/plaza may also be obtained for this purpose wherever required. Written notices may be issued to them requiring them to get sales tax registration immediately;
 - (d) provide guidance and assistance to these retailers for filling in the sales tax registration form;
 - (e) compulsorily register those retailers who avoid or resist registration;
 - (f) maintain proper records, including lists of retailers, maps, notices issued, replies received and registrations done;
 - (g) after registration, the Cell shall keep monitoring these retailers and encourage them to be tax-compliant, by regular filing sales tax returns, proper payment of sales tax, installation and proper operation of Fiscal Electronic Cash Registers ("FECRs"), maintenance of records, etc.
- (iii) Retail chains operating under single ownership (whether individual, AOP or company) require only one registration for all the branches, outlets, showrooms, etc. However, it may be ensured that all such branches, outlets and showrooms, etc. are mentioned in the registration application and profile. If any branch or outlet is missing, it shall be added by filing Application for Change in Particulars in the prescribed online form.
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- (iv) In case of retail chains operating as franchise or other arrangement, where the individual branches or outlets have separate ownership, each such branch or outlet requires separate registration.
- (v) Retailers in the first tier are also required to install and operate Fiscal Electronic Cash Registers ("FECRs") of the specifications approved by the Board. For this purpose, it is hereby specified that the FECRs to be installed and used by such retailers may be of any brand or model, provided that they have a tamper-proof transaction-recording mechanism, a secure memory, and Ethernet link to enable data transmission to FBR's database. The already installed FECRs meeting these specifications may continue to be used.
- (vi) The Cell shall inform PRAL after registration of any retailer of the first-tier. PRAL shall arrange proper configuration of all the FECRs of that retailer for enabling data-link with FBR's database.
- (vii) For the second tier, the RTO shall coordinate with the electricity distribution companies, including DISCOs and M/s. K-Electric Limited, to ensure that sales tax at the prescribed rates is charged in the electricity bills of all such retailers.
- (viii) Since the data regarding consumer name and type available with the electricity distribution companies is usually not updated by the consumers despite change in ownership/tenancy or business use of the premises, the Commissioners have been empowered to issue Exclusion Orders in cases where the consumer is either already registered and paying sales tax or is not engaged in any retail activity at all.
- (ix) In case a consumer, not engaged in any retail activity or already registered and paying sales tax, receives an electricity bill charging sales tax under section 3(9) of the Sales Tax Act, 1990, he may approach the Commissioner Inland Revenue having jurisdiction for an Exclusion Order.
- (x) The Commissioner Inland Revenue shall issue an Exclusion Order where he receives conclusive documentary evidence and physical verification report, to be retained on record, that the consumer is either already registered and paying sales tax or is not engaged in any retail activity.
- (xi) While issuing an Exclusion Order, the Commissioner shall also examine whether the consumer, although not a retailer, is engaged in any other taxable activity, such as import, manufacturing or supply of taxable goods. If so, he shall ensure registration of such person in the proper category.



(xii) To prevent forgery and malpractices, and to keep a secure record of all Exclusion Orders issued, it is hereby directed that Exclusion Orders containing all essential particulars/details shall be issued only through the computerized system prepared for the purpose and electronically communicated to the concerned electricity distribution company, who shall then ensure that sales tax under section 3(9) of the Sales Tax Act, 1990 is not charged from such consumers.

3. It may be ensured that the entire exercise is conducted in a smooth, efficient and systemic manner, and within the timelines conveyed by the Board. The performance of the officers/officials posted in the E&C/BTB Zones shall be assessed on the basis of their effectiveness in implementation of the above measures.



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