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GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE
(INLAND REVENUE POLICY WING)

C. No. 5/120-STB/2018

38260-R

Islamabad, the 20th March, 2019

All Chief Commissioners Inland Revenue

All Chief Collectors of Customs

SUBJECT: **SALES TAX AND FEDERAL EXCISE DUTY MEASURES INTRODUCED THROUGH FINANCE SUPPLEMENTARY (SECOND AMENDMENT) ACT, 2019 – INSTRUCTION REGARDING**

I am directed to refer to the subject cited above and to say that budgetary measures relating to sales tax and federal excise duty have been notified through Finance Supplementary (Second Amendment) Act, 2019. A brief summary of the measures is given below for ease of understanding and necessary action by the field formations. At the same time, field formations are requested to consult the provisions of Finance Supplementary (Second Amendment) Act, 2019 for proper appraisal of the measures introduced. Summary of the measures under these tax laws i.e. Sales Tax Act, 1990 and Federal Excise Act, 2005 is given hereunder:

SALES TAX & FEDERAL EXCISE

1. PAYMENT OF SALES TAX REFUNDS THROUGH SALES TAX REFUND BONDS:

To liquidate huge amounts claimed by taxpayers in refunds which have been accumulated over a long time, the government has decided to pay the same through sales tax refund bonds, which shall have a maturity period of three years. Simple profit at 10% per annum is also proposed to be paid. The claimants shall

also be able to raise the much needed cash by selling these notes in the security market. A new Section 67A has been inserted in the sales Tax Act 1990 to include enabling provisions for payment of refund in this manner and also to provide for regulatory mechanism relating to issuance, transfer, redemption and other related matters.

2. CONTINUITY OF EXEMPTION ON MACHINERY AND EQUIPMENT RELATING TO RENEWABLE ENERGY:

In Sr no 110 in Table 1 to the Sixth Schedule of STA 1990, already available exemption of sales tax in relation to plant, machinery and equipment required for power generation from renewable sources of energy has been guaranteed upto 30th June, 2023, to provide for certainty and confidence to investors. Same protection has been ensured on the import side of the similar equipment as covered under S. No. 7 and S. No. 14A in Table 3 of the Sixth Schedule.

3. ADDITION OF FURTHER ITEMS TO THE LIST RELATING TO OSTOMY PROCEDURES FOR TREATING CANCER

Keeping in view the difficulties being faced by cancer patients and also on the orders of the Honourable Supreme Court, items relating to ostomy procedures for treatment of cancer patients, which were not expressly and exhaustively mentioned in the Sixth Schedule to the Sales Tax Act, 1990, have now been so covered by substituting Sr No 117 and relating it to heading 99.25 in the First Schedule to the Customs Act.

4. EXEMPTION ON PLANT AND MACHINERY FOR GREENFIELD INDUSTRIES

Presently, sales tax exemption on plant and machinery is available only to specified sectors. Other sectors have to pay sales tax on import of plant and machinery. This sales tax is adjustable against future output tax but such

adjustment takes place after a long time when the industry starts selling its product. This serves as an impediment to investment by increasing initial costs. In order to encourage green field investment and industrialization, exemption from payment of sales tax on imported plant and machinery to be used for setting up new industry for production of taxable goods has been provided by amending Sixth Schedule to the Sales Tax Act, 1990, as imported by the persons registered on or after 1st July, 2019, through Sr no 150 in Table 1 of the Sixth Schedule to the STA 1990.

5. NEW RATES FOR THE CELLULAR MOBILE PHONES

New rates on the import of cellular mobile phones have been introduced by substitution in the Ninth Schedule to the STA 1990

6. LEVY OF FEDERAL EXCISE DUTY ON LOCALLY MANUFACTURED MOTOR CARS, SUVs AND OTHER MOTOR VEHICLES HAVING ENGINE CAPACITY 1800cc AND ABOVE AND INCREASE IN DUTY ON IMPORTED CARS/ SUVs ETC.

S. No. 55 of Table 1 of the First Schedule to the FED Act 2005 has been amended and duty of the imported motor vehicles of 1800 cc to 3000cc has been enhanced to 25% ad val. Further, a new S. No. 55A been inserted whereby rate of federal excise duty has been enhanced to 30% ad valorem on import of motor cars, SUVs and other motor vehicles of cylinder capacity of 3000cc or above (other than those vehicles as designed for the transport of 10 or more persons).

Further, Federal excise duty on locally manufactured cars and SUVs etc. of engine capacity exceeding 1700cc and above at 10% *ad valorem* has also been introduced.


(Tauqeer Ahmed)
Secretary (ST&FE-Budget)

Copy to:

Chief (Automation & Allied Matters), Operations Wing, FBR